

Soviets Didn't Raise Any Objections To Open Frontier

Budapest Told Moscow of Intentions, Washington Was Also Kept Informed

By Jim Hoagland

Washington Post Service

OSLO — Hungary consulted the Soviet Union before deciding to allow thousands of East German citizens to flee to the West last week, according to Western officials who report that the Soviets offered no objections to a decision that has opened the Warsaw Pact into two hostile blocs.

The United States, which was kept closely informed of the intensive discussions that Hungary had with West Germany and the East German government on the émigrés, has also played a largely passive and secondary role in the still-unfolding Central European drama, according to these officials.

Made in secret more than three weeks ago, the dramatic decision by Hungary — and West Germany's active encouragement of it — are seen by Western officials and strategic analysts as large strides toward a European political and security order in which the superpowers will play decreasing roles.

[Hungary will keep its border to the West open indefinitely, the Hungarian prime minister, Miklos Nemeth, said in the West German newspaper Bild am Sonntag, Reuters reported from Bonn.]

"If one really wants to build the European house that President Gorbachev has spoken of, one cannot close the borders again," Mr. Nemeth said.

Hungary's move, bitterly criticized by East Germany, Czechoslovakia and Romania, coincides with the formation of a non-Communist government in Poland. The Soviet Union's acceptance of the Hungarian and Polish actions has isolated the hard-line Warsaw Pact members and left the East bloc in public disarray.

The flight of 15,500 East Ger-

mans across Hungary is also reverberating throughout Western Europe. The exodus has triggered renewed discussion of German reunification, a prospect that France, Britain and other West European nations officially welcome but privately voice grave concern about.

The net impact of the rapid political change in Central Europe over the past month, a British official said, "is to visibly decrease the classic military threat posed by the Warsaw Pact, while increasing the dangers of other kinds of upheaval, revolution or violence." He said that events had become unpredictable.

The total of East Germans having reached the West from Hungary is at 15,500 and counting, Page 5.

able for the West and, perhaps, for Moscow as well.

Official Soviet spokesmen have issued cautious statements that neither condemn nor praise Hungary for its decision to defy the East German government. But according to accounts provided by two independent diplomatic sources, Budapest took great care to gauge Soviet, West German and U.S. reaction before acting.

Budapest informed Bonn and Washington in late August, the sources said, that the flow of East Germans into Hungary seeking to cross to the West had become "intolerable" and that the government had no viable alternative to opening the border to Austria to allow them to escape.

The only alternative would have been to force the refugees back to East Germany, a step that the Budapest government, eager to win political and financial support in the West, ruled out.

"We have taken a sovereign decision," Mr. Nemeth said.

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Submarine Indicates Upgraded Soviet Navy

By Joseph Fitchett

International Herald Tribune

ANDØY AIRBASE, Norway

The sighting of a highly elusive Soviet submarine in the North Atlantic this month for the first time demonstrates the Soviet Navy's continuing expansion and improvement of its forces, according to Norwegian and U.S. officials and analysts.

The growing difficulty of detecting Soviet submarines has given fresh impetus for expanding arms control to cover naval forces, an idea resisted by the United States, Britain and most other NATO governments.

Crew members who spotted the Akula-class submarine during a mission flown from this Arctic airfield said that it almost hit electronic buoys and yet gave off only a trace of its presence.

This change and shifts in Soviet

submarine tactics are particularly evident in the Arctic, where the Soviet Union appears to be concentrating its nuclear submarines with intercontinental ballistic missiles in coastal Soviet waters.

Johan Jørgen Holst, defense minister in the caretaker Norwegian government, has called for a

Hitches in the START talks are not viewed as ruling out a U.S.-Soviet summit this year, Page 2.

ban on ocean-going attack submarines. This would reduce the Soviet threat to allied supply lines across the Atlantic as well as the North Atlantic Treaty Organization threat to Soviet strategic submarine bases near northern Norway.

The Norwegian foreign minister, Thorvald Stoltenberg, said last week that naval disarmament "ultimately is inevitable, but not at a time when it would disrupt a constructive process." He was alluding to the Vienna talks on conventional forces in Europe.

Washington, London and most

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Israeli border police checking identity papers Sunday of a Palestinian at the Damascus Gate in Jerusalem's Old City as an Arab elder, at right, watched.

Rabin Will Go to Cairo to Discuss Mubarak Plan

By Joel Brinkley

New York Times Service

JERUSALEM

The Israeli cabinet agreed Sunday to send Defense Minister Yitzhak Rabin to Cairo to begin discussions of President Hosni Mubarak's 10-point plan for holding Palestinian elections in the West Bank and Gaza Strip.

Mr. Rabin's trip is the first significant sign of movement to Israel's plan for settling the Palestinian conflict since Prime Minister Yitzhak Shamir proposed it in March.

It comes even though the Israeli cabinet remains divided on whether to accept Mr. Mubarak's plan, and the Palestine Liberation Organization is undecided about it, too.

[Officials did not reveal the date of Mr. Rabin's visit but news agencies in Jerusalem said that it would start on Monday.]

Some Labor officials are talking about leaving the coalition government if it does not accept the Egyptian plan, which is almost identical to the Labor Party's position on how elections should be held.

At the same time, several Likud ministers say they will try to unseat Mr. Shamir if he does accept the plan.

On Sunday, Mr. Shamir told the Likud bloc ministers, who are united against the plan, that he openly and clearly opposes the Egyptian proposal, too.

The leader of the Palestine Liberation Organization, Yasser Arafat, has met with Mr. Mubarak to discuss the plan several times in the last week, while others in the PLO have openly expressed their misgivings about the Egyptian proposal.

The 10 points are not an alternative to Israel's election plan but a blueprint for carrying them out. They require concessions from both the Israeli government and the PLO.

Neither has officially accepted or rejected the Egyptian proposal. The Egyptian government wants to invite Israelis and Palestinians to Cairo for discussions of the election plan, and the Egyptian ambassador, Mohammed Bassiouny, said the conference could be held as early as next month — if Israel would agree.

Under Egypt's plan, Israel would offer a delegation of its choosing for the Cairo talks, while the Palestinian delegation would be composed of residents of the occupied territories along with one or more Palestinian residents who have been expelled by Israel. It is not clear how the Palestinians would be chosen.

Mr. Mubarak first offered the plan more than a month ago and passed it to the Israeli government through a visiting U.S. congressman.

But Mr. Shamir and his Likud colleague, Foreign Minister Moshe Arens, chose to ignore it until last week.

On Sunday, however, Mr. Sha-

mir acknowledged that Mr. Bassiouny officially submitted the plan to the government on Friday, leaving Israel little choice but to respond — especially since Mr. Shamir's own peace plan calls for the involvement of Egypt, the only Arab nation that has signed a peace treaty with Israel.

Under the plan, Israel would not be required to talk to the PLO or accept the idea of Palestinian statehood — standard Arab demands that most mainstream Israeli politicians oppose.

But the Israeli government would be required to say that it is willing to exchange land for peace. It would have to allow East Jerusa-

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More Bumps Are Likely as Dollar Drives Forward

By Carl Gewirtz

International Herald Tribune

PARIS

A funny thing happened Friday on Wall Street. With a flicker, the near-universal belief of a strong dollar bounding beyond the limits targeted by central banks dissipated and the currency fell like a stone.

The flicker was provided by a series of unfounded rumors, among them that President George Bush had been shot and that a major U.S. money-center bank was in trouble from its holdings of junk bonds. Both were promptly disproved and the dollar subsequently recovered about half of what it lost in that hour of near-panic selling to close at 1.9650 Deutsche marks and 146.33 yen.

The dollar had touched a high of 2.0040 DM.

What emerged from the wreckage, said analysts surveying it, was evidence of how fragile confidence in the dollar's capacity to rise is, and how bumpy the road is likely to be until the currency hits its next straightaway.

The next big move is still widely expected to be up, above the level of 2 DM and 150 yen that are perceived to be the upper limits targeted by central banks of the Group of Seven industrialized countries.

But before that happens, analysts expect an indefinite period of churning, possibly driving the dollar down to 1.85 DM, pending a clearer picture of the state of the U.S. economy.

A certain amount of nervousness is likely this week prior to the regular conference of the G-7 central-bank governors in the run-up to the joint annual meeting of the International Monetary Fund and the World Bank.

"What's important to recognize is the speed of Friday's decline on no solid evidence," a New York analyst said. "It shows there's a lot more vulnerability than had generally been recognized."

Steven Blitz, a portfolio manager for Offit Associates in New York, said Friday's trading "illustrates that the market was overbought, that there were lots of nervous holders of dollars ready to let them go at the first sign of weakness."

Analysts were agreed that it bared the shallowness in the belief

that the dollar is yet ready to sustain a value of 2 DM or more.

The dollar briefly touched its high of 2.0040 DM after Washington reported that the July U.S. trade deficit shrank to its lowest level in four years, a development that caught traders off guard since the consensus view in the market was for a slight widening.

Concerted intervention by a dozen central banks drove the dollar back to just under 2 DM when the rumors hit, and it plummeted to a low of 1.93 DM and 144 yen, down from a high of 149 yen.

"The success of the central bank intervention to prevent a breach of the 2 DM level, from a technical perspective, is a sign that short-term the dollar's strength was waning," Mr. Blitz said.

But he emphasized that analysis of the charts tracking the dollar's trading pattern show that "the trading range is not changed."

"The dollar," he said, "could well move to the lower end of the range — 1.85 DM — but the underlying strength is still in evidence."

He added that "the real test" will be investors' response when the dollar trades at the bottom of its range.

The current nervousness in the market is largely explained by uncertainty about how to interpret the measures of U.S. economic performance.

For example, there is widespread doubt that the U.S. trade deficit can continue to narrow. Analysts

See DOLLAR, Page 5

150,000 March in Ukraine

Lvov Protesters Demand an End To Church Ban

United Press International

LVOV, U.S.S.R. — Tens of thousands of Ukrainians marched through the historic city of Lvov on Sunday, the 50th anniversary of the Soviet invasion of the Western Ukraine, to press their demands for an end to the ban on the Ukrainian Catholic Church.

The police estimated that more than 150,000 people took part in the march and a two-hour outdoor Mass. Estimates by Ukrainian Catholic Church advocates amounted to 250,000.

It was the biggest demonstration in favor of the church in the republic since the invasion in 1939, church officials said.

On the anniversary of the Red Army's seizure of the Western Ukraine from Poland, 15 white-robed priests said Mass beneath a canopy of trees for Ukrainian Catholics faithful, who have no church buildings of their own. The priests offered communion to worshippers, who knelt on grass.

"All the world can see this church lives," declared a priest who said that he had served 25 years in a Siberian labor camp after Stalin banned the Uniate Church in 1946 and forcibly merged it with the Russian Orthodox Church.

The open outpouring of support for a reborn Uniate Church is part of a resurgence of religion mixed with nationalism that has emerged under the more liberal policies of perestroika, the renewal drive of President Mikhail S. Gorbachev.

In the Soviet Baltic republics, Lithuanian nationalism and reformed Catholic faith have been strongly linked.

Legalization of the Uniate Church is expected to be raised by Pope John Paul II when he meets with President Mikhail S. Gorbachev in Rome in November. Although of Eastern rite, the Uniate Catholics acknowledge the primacy of the pope. The church has continued to operate clandestinely and claims to have up to five million followers.

After the mass Sunday, people bearing embroidered religious banners and the banned yellow-and-blue Ukrainian flag wound through Lvov's cobblestone streets to St. George's Cathedral, which was taken from the Uniate Catholics and given to the Russian Orthodox Church by Stalin.

The demonstration came one week after the founding of a Ukrainian mass movement, Rukh, that is demanding a rebirth of Ukrainian culture and greater autonomy in policy issues like the environment and land usage. The Ukraine, the second largest Soviet republic, is the nation's breadbasket and a major industrial region.

Ivan Gel, president of the Ukrainian Catholic Defense Committee, said to the worshippers: "The numbers don't matter very much. Even if there were only 50,000, it would be a moral victory."

Shying away from Ukrainian nationalism, he said later that his concern was defending the church.

"Stalin imposed genocide against Ukrainians," Mr. Gel said, "and the best way to kill a people is to kill their spiritualism."

Vyacheslav Chornovil, a human

See UKRAINE, Page 5

Kiosk

Hurricane Hits The Caribbean

CORAL GABLES, Florida (AP) — A hurricane was expected to bring heavy damages to Puerto Rico and the U.S. Virgin Islands early Monday after killing 5 persons, injuring about 80 and leaving 4,000 homeless on the island of Guadeloupe.

It also knocked out most communications in the eastern Caribbean with winds as high as 140 miles per hour (225 kilometers per hour), officials said Sunday.

MONDAY Q&A

Emilio Picasso, director of the Large Electron Positron Collider project in Geneva, will be probing the origins of time. Page 2.

Business/Finance

Merger plans by a Belgian and a Dutch bank are said to have been scrapped. Page 17.

Crossword Page 3.

A Great Year for French Wine? The Sky Will Tell

By Barry James

International Herald Tribune

PARIS

France's grape harvest — the earliest in nearly a century in many parts of the country — is bringing optimistic predictions of a great vintage, but also warnings about not anticipating the bouquet before popping the cork.

"I do get tired of the vintage hype before the grapes are picked," said Kermit Lynch, a U.S. importer who specializes in Burgundy, Côte-du-Rhône, Provence and Champagne wines. "Customers are really deceived. It's funny, but if a vintage is hyped from the beginning, it sells out immediately no matter what the real quality of the wine is."

Mr. Lynch said it would be best to suspend judgment at least until vinification is complete within a few weeks and preferably until the wine is bottled.

"The way the grapes look doesn't always tell the whole story," he said. Or, as Byron put it, "The very best of vineyards is the cellar." But, after one of the longest, hottest and driest summers since 1976, vintners and enologists say the grapes are fruity and heavy with sugar.

What the vintners dread is heavy rain before the harvest is in. Excessive moisture would tend to dilute the sugar content, produce rot and cause ripe grapes to swell and burst.

The dry heat did break late last week, but experts said it was too early to measure the impact. Slight moisture does no harm.

Not only in France but in most European countries monitored by the Paris-based Office International de la Vigne et du Vin, this year's production appears to be well above average in size and quality. Production in France is likely to rise 5 percent this year to about 6 billion liters, slightly behind Italy, the biggest producer, with 6.3 billion liters.

In a normal year, the harvest would only now be starting. But in parts of Bordeaux, France's biggest wine-producing region, harvesting began at the end of August for the first time since 1893.

"It is impossible to predict a vintage prior to its birth, but I think we can say this one will be quite extraordinary," said Sacha Lichine, owner of Chateau Prieuré-Lichine in Margaux. "I had dinner with many chateau owners the other night and they all came in with a smile."

Mr. Lichine said that although he had no qualms about saying this.

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Workers in the Bordeaux country bringing in 1989's exceptionally fruity grapes.

Inquiry Finds Pan Am Had Security Slipups

By John H. Cushman Jr.

New York Times Service

WASHINGTON — Federal investigators found several security violations by Pan American World Airways in a special inspection conducted after the bombing of a Pan Am jet over Scotland, people familiar with the inquiry say.

Although they said the flaws had not been linked directly to the bombing in December 1988, which is still under investigation by international police officials, some violations involved the methods used to screen baggage and passengers at the Frankfurt airport.

Aviation officials said that any flaws detected in the inquiry were corrected months ago and that passengers should not assume that the disclosure of the security violations reflected badly on the company's practices today.

The police say a bomb disguised as a radio-cassette player was put aboard Pan Am Flight 103 in a suitcase, perhaps belonging to an unwitting passenger, at Frankfurt. After the plane had made a stop in London on its way to New York, the bomb exploded over Scotland, and 270 people were killed.

A routine inspection in October 1988 found Pan Am security in Frankfurt generally acceptable, but in the weeks after the explosion, the special inspection, which officials

said was more rigorous, turned up several violations.

The discrepancy leaves the Federal Aviation Administration open to charges that it either mishandled the first inquiry or misused the second one to make the company a scapegoat.

Some of the flaws that were discovered in the latest investigation involved the company's procedures for checking the baggage of passengers known as "selectors," who fit a profile used by security officials to help screen terrorist devices.

People who discussed the situation in the last week refused to state specifically what flaws were detected by the investigation. They said the issue was still under negotiation, and they also cautioned that it might be dangerous to describe in explicit terms the airline's security steps and its weak points.

Security officials have said that the bomb used in the attack on Pan Am was sophisticated and that it would have been very difficult to detect, even if the radio had been examined by X-ray.

But the West German authorities knew of the existence of bombs in radio-cassette players in the hands of terrorists operating in that country before the attack, and airlines were warned before the bombing occurred.

The Federal Aviation Adminis-

See AIRLINE, Page 5

A Physicist Sets Off to Probe the Origins of Time

The world's largest scientific instrument, the Large Electron Positron Collider at CERN, the European Laboratory for Particle Physics in Geneva, begins its first serious scientific experiments Monday, after a successful pilot run last month. The machine, housed in a 27-kilometer (16.6-mile) tunnel, is designed to manufacture large amounts of elusive and short-lived Z bosons by colliding neutral electrons and positive positrons traveling at close to the speed of light. By studying the decay of the Z particles, scientists hope to discover more about the elementary forces at the heart of matter and the beginning of time. Barry James of the IHT talked with Emilio Picasso, the project's director.

Q. How do you assess the machine so far?

A. Although the rate of production of the Z particles is still very low, we have a very wonderful machine. It's like a healthy baby which is just starting to learn how to walk.

Q. When will you be able to say that it has been a success?

A. We have to produce a lot of Z particles every day. So far we have had just a

pilot run to find out how the machine behaves. The next step is the optimization of the machine to deliver a sufficient intensity of Z particles so that the experiments can start to do their job.

Q. What kind of intensity are you aiming for?

A. There will be many steps. I will be very happy if this year we can produce

MONDAY Q&A

between 500 and 1000 Z particles a day. Next year, we hope to achieve up to 10,000 Z particles a day.

Q. What does the Z particle tell physicists?

A. It is the neutral carrier of the electro-weak force. We need a high rate of production of the particles in order to fully understand the so-called standard model linking the various forces of the universe. This theory is very good but things do not fit into it as well as we would like.

Q. But what you learn here will not bring you to the end of the road. The United States is planning to build an even bigger and more expensive proton collider. Will you physicists ever be able to reach a sat-

isfactory account of how the universe started?

A. I don't think personally that there will ever be an end to the acquisition of knowledge. We are going closer and closer to the beginning of time. We are about 10 to the minus 10 seconds from the Big Bang. To go from there to absolute zero will be very hard and perhaps it will never be done. We have to be modest.

Q. But as you delve back into matter you tend to raise more questions than you can find answers.

A. That's human knowledge, is it not? Every time you answer a question which you are proudly satisfied, you see many other questions you had not thought of before. I believe this is the way that mankind proceeds and discovers.

Q. You are starting to reveal how the universe began, but not why?

A. You are right. It is very hard to know why nature has taken the road it has.

Q. Are the taxpayers who paid for the Large Electron Positron Collider getting good value for their \$600 million?

A. The LEP is not more expensive than the super proton cyclotron in which we have done proton and antiproton collisions here in Geneva. It is an expensive object, but we have learned how to make it cheap-

er whether you judge by kilometer or by unit of energy. Part of the progress has been to find technological solutions that allow us to reach high energy in the cheapest way.

Q. Is there a lot of rivalry between you and the scientists at the Stanford linear accelerator, which is also producing Z particles?

A. We are very good friends. I see everybody who works in science, particularly my science of elementary particle physics, as colleagues who are involved in a joint effort to understand nature.

Q. Is anything practical likely to come out of the LEP project?

A. As we go back in time, we go to higher energy levels and to equivalently higher temperatures. I don't know if there will be any practical consequences from what we are doing, in ways which might change the way we live. But surely we will have an enormous increase in the richness of our knowledge, and that for me will be a contribution to life on Earth. And in making the machine there have been achievements that will surely be used in other fields — in fields such as beam control, instrumentation, radio frequencies and superconductivity — which I am quite sure will one day, perhaps soon, be applied.

Deng Makes First Public Appearance Since June

By Daniel Southerland

Washington Post Service

BEIJING — China's senior leader, Deng Xiaoping, has made his first public appearance in more than three months, telling a visiting scientist that despite "the recent

Mr. Deng, 85, had not been seen in public since June 9, when he was shown on television congratulating army leaders for crushing the student-led democracy movement.

His absence prompted reports that he was seriously ill or otherwise incapacitated.

But television coverage of his 70-minute meeting Saturday with Professor T.D. Lee, a Nobel laureate from Columbia University, showed Mr. Deng to be energetic and apparently fit.

Tanned, smiling and seemingly relaxed, Mr. Deng walked and gestured without difficulty and joked about the slight tremor in his hands.

Mr. Deng told the Chinese-American physicist that he had spent much of his time out of public view relaxing. "I went swimming in the sea," he said.

Mr. Deng told Mr. Lee that the massive anti-government rallies of last spring had demonstrated the need for Chinese leaders to pay close attention to "ideological and political developments."

Mr. Deng said that some leaders had "not been vigilant enough" against corruption and that Communist Party measures to combat official wrongdoing had proven less than effective.

Chinese sources with access to confidential party documents said that Mr. Deng told other leaders weeks ago that they must tackle the corruption issue because it had evoked great public support for the democracy demonstrators.

According to an account of the meeting Saturday by the official Xinhua news agency, Mr. Deng presented an image of confidence in Chinese economic development and growing reliance on free-market forces — under the firm leadership of the Communist Party.

"Twists and turns or shortcomings are unavoidable," Mr. Deng told Mr. Lee, but he added that China could now move forward with "more steady, more solid and quicker steps."

Foreign Press Attacked

An official Chinese newspaper reprinted a 65-year-old commentary Sunday calling for the expulsion of all foreign reporters from China. The Associated Press reported from Beijing.

The front-page item in the Beijing Daily was accompanied by another commentary saying that the 1924 essay by Li Dazhao, a co-founder of the Chinese Communist Party, showed that foreign journalists had been spreading rumors in China for decades.

— JOSEPH FITCHETT

WORLD BRIEFS

Genscher Proposes Aid Plan for East

BONN (AP) — The West German foreign minister, Hans-Dietrich Genscher, proposed Sunday that Western Europe develop an aid program to support liberalization in East European countries.

In a radio interview, Mr. Genscher compared his proposal to the U.S. Marshall Plan that helped reconstruct Western Europe after World War II. He said that the plan should include food aid, rescheduling of credits and credit guarantees for Western investments.

Mr. Genscher said the plan should aim "to give a chance to reform-minded forces" in Eastern Europe, like Poland. "The reformers should not pay for the mistakes of their predecessors," he said, adding that he had discussed the plan with Foreign Minister Roland Dumas of France.

ETA Unit Dismantled in Spain Raids

MADRID (Reuters) — The Spanish government claimed an important victory Sunday in its fight against the Basque guerrilla group ETA after police raids in which two suspected guerrilla commanders were killed and more than 20 suspected members were arrested.

The Civil Guard director, Luis Roldan, said ETA's Araba command unit, which he called "a dangerous band of criminals," was dismantled in overnight ambushes throughout the Basque region. Weapons, grenades and about 300 kilograms (660 pounds) of explosives were seized.

The operation was the biggest in months against ETA, or Basque Homeland and Liberty, which has killed more than 600 people in its 21-year fight for an independent Basque state.

Nixon Reportedly Planned Iran Raid

LONDON (Reuters) — The Sunday Telegraph said that Richard Nixon, the former U.S. president, planned an attempt to rescue American hostages in Tehran after the failure of Jimmy Carter's 1980 commando operation in the deserts of Iran.

The newspaper said Sunday that Mr. Nixon had visited Britain for secret meetings with helicopter experts and former elite troops three months after the first raid, in April 1980, ended in catastrophe for the Democratic administration of President Carter.

The front-page report said it was not clear whether Mr. Nixon had been preparing an operation to be carried out by a future Republican administration, or planning a "free-lance" action for the run-up to presidential elections in November 1980. It quoted a Nixon aide as saying: "We will neither confirm nor deny this story. We have nothing to say."

Carter Praises Managua Vote Plan

MANAGUA (WP) — Former President Jimmy Carter, arriving here over the weekend to assess preparations for national elections in February, said Nicaragua had taken steps to ensure that a Panama-style electoral fraud would not occur.

"I have examined the agreements and the laws passed and the plans that have been made for the conduct of the election," Mr. Carter said. "From what I know to date, the means used to have a fraudulent election in Panama have very carefully been avoided for Nicaragua."

Although the statement was not a blanket endorsement of the electoral preparations, Sandinista officials appeared pleased that Mr. Carter had described their efforts in counterpoint to Panama's electoral fiasco. Mr. Carter also predicted that if international observers certified the elections, as free and fair, it would open the way to "immediate improvement in the relationship between the United States and Nicaragua."

Cease-Fire Call Unheeded in Beirut

BEIRUT (AP) — Fighting flared in and around Beirut on Sunday as Arab mediators struggled to put into effect a cease-fire after six months of battles between Syrian and Christian forces. The police said that one person was killed and that 14 were wounded in nightlong clashes that eased to intermittent machine-gun exchanges at dawn.

The Arab League committee, comprising King Fahd of Saudi Arabia, King Hassan II of Morocco and President Chadli Benjedid of Algeria, called Saturday for an "immediate and comprehensive" cease-fire.

The acting prime minister of Lebanon, Salim Hoss, welcomed the cease-fire call. Mr. Hoss, a Sunni Moslem, heads a Syrian-backed cabinet, that is competing for power with a Christian government led by General Michel Aoun. General Aoun has so far made no comment.

TRAVEL UPDATE

DC-10s to Get a New Safety Device

NEW YORK (NYT) — McDonnell Douglas Corp., manufacturer of the DC-10 passenger jet, has announced that it will modify the plane with a device that may enable it to be landed safely if all hydraulic lines are severed and the hydraulic fluid begins leaking.

The modifications, to be completed over the next 21 months, stem from the crash in July of a United Airlines DC-10 in Sioux City, Iowa, that killed 112 people. Although the government has not ordered airlines to install the device, a "shut-off valve" already used on some other planes, most carriers that fly DC-10s are expected to install them, industry experts said.

The hydraulic system acts like a circulatory system, pumping fluid through the plane's skeleton. It powers controls for the plane's movement, like the ailerons, elevators, rudders and flaps. With the new valve in the event the hydraulic lines were severed, pilots would still have control over the plane's ailerons, which control its banking, and to a limited extent over the plane's elevators, which control altitude.

Traffic Snarls on Italy-Austria Border

BOLZANO, Italy (Reuters) — Vacationers driving across the Italian-Austrian frontier on Sunday faced huge lines of traffic on the fifth day of a blockade by up to 20,000 truck drivers.

The dispute has caused traffic jams stretching 30 kilometers (18 miles) from the Brenner Pass over what Italy says is a slowdown by Austrian workers in the granting of transit permits. The police said hundreds of West Germans returning from Mediterranean resorts were delayed.

The 156th Oktoberfest, the annual beer festival, opened over the weekend in Munich, with a milk bar joining rows of beer tents for the first time. City officials say they expect more than six million visitors for the 16-day festival.

This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

MONDAY: Burundi, Chile.

TUESDAY: Chile.

THURSDAY: Belize, Malta.

FRIDAY: Mali.

SATURDAY: Japan, Saudi Arabia, Togo.

SUNDAY: Dominican Republic, Guinea-Bissau.

Source: Morgan Guaranty Trust Co., Reuters.

WEATHER

EUROPE			ASIA		
	HIGH	LOW		HIGH	LOW
Amsterdam	22	12	Bangkok	28	24
Athens	22	12	Beijing	22	14
Berlin	22	12	Hong Kong	28	24
Bombay	22	12	Manila	28	24
Buenos Aires	22	12	Seoul	28	24
Cairo	22	12	Singapore	28	24
Calcutta	22	12	Taipei	28	24
Canton	22	12	Tokyo	28	24
Chongqing	22	12			
Cebu	22	12			
Dacca	22	12			
Delhi	22	12			
Hankow	22	12			
Harbin	22	12			
Hong Kong	22	12			
Kobe	22	12			
London	22	12			
Lyons	22	12			
Manila	22	12			
Medan	22	12			
Moscow	22	12			
Odessa	22	12			
Peking	22	12			
Rangoon	22	12			
San Francisco	22	12			
Shanghai	22	12			
Singapore	22	12			
Sourabaya	22	12			
Tientsin	22	12			
Yokohama	22	12			

MONDAY'S FORECAST — CHINA: Rain, B. 20-25; S. 20-25; T. 20-25. HONG KONG: Rain, B. 20-25; S. 20-25; T. 20-25. KOREA: Rain, B. 20-25; S. 20-25; T. 20-25. JAPAN: Rain, B. 20-25; S. 20-25; T. 20-25. MALAYSIA: Rain, B. 20-25; S. 20-25; T. 20-25. PHILIPPINES: Rain, B. 20-25; S. 20-25; T. 20-25. SINGAPORE: Rain, B. 20-25; S. 20-25; T. 20-25.

Hitch in START Viewed as No Barrier to Summit

International Herald Tribune

OSLO — The Bush administration has concluded that a treaty reducing U.S. and Soviet strategic nuclear missiles "is not within reach this year," a U.S. official said over the weekend.

But other U.S. and Soviet arms control negotiations have achieved enough progress to set the stage for a meeting this year between President George Bush and the Soviet leader, Mikhail S. Gorbachev, according to U.S. and East bloc sources.

A START treaty, which had appeared near conclusion at the end of the Reagan administration, had been widely seen as the next major

disarmament deal between the United States and the Soviet Union.

Priority in the superpowers' security talks has shifted to the East-West negotiations in Vienna on cutting conventional forces in Europe, according to U.S. and East bloc officials speaking in Oslo at the annual meeting of the International Institute of Strategic Studies.

Soviet officials have accused the Bush administration of foot-dragging on reaching agreement in the START talks. But U.S. officials predicted that the Soviet leadership would not derail the momentum toward disarmament because of delays on START.

Concurring with this assessment of the mood in Moscow, an East bloc participant said, "There are no time constraints, so what if START is dragging on?"

More important are the "realistic chances of success" in the Vienna talks on conventional forces, he added. His comments, like those of other speakers, were made on condition of anonymity.

Participants at the meeting included U.S. security policymakers, Soviet analysts from government research organizations in Moscow, together with officials and military specialists from Eastern Europe, other NATO countries and Japan.

Explaining why the Bush administration now expects lengthier negotiations on START, the U.S. official cited disagreement on fundamental issues such as the role of mobile missiles, sea-launched cruise missiles and verification of overall nuclear arsenals.

"Neither side has worked out its compromises on some basic national interests," the U.S. official said. Congress failed this summer to choose between the two competing U.S. systems of mobile missiles, the MX and Midgetman.

The climate for START, another U.S. source said, will be affected by the Soviet reaction at the Vienna talks to Mr. Bush's proposals for deeper, quicker cuts in conventional

forces. The Kremlin is expected to respond soon to the U.S. proposals, which were adopted by the North Atlantic Treaty Organization in May.

Soviet agreement in Vienna to more drastic cuts, the U.S. source said, would satisfy U.S. conservatives who want to postpone further nuclear disarmament until a disengagement of conventional forces in Europe reduces the overall threat of a war.

Meanwhile, a U.S. official said, "We're less in a hurry on START because our own nuclear deterrent is better than it was a few years ago, and the Soviet Union is less paranoid about us."

Similarly, he said, the overall lessening in East-West tension has largely silenced, at least temporarily, calls in Western Europe for a faster U.S. movement on START.

Plans for a U.S.-Soviet summit meeting, according to U.S. and East bloc participants, are expected to take shape this week at talks in the United States between Edward A. Shevardnadze, the Soviet foreign minister, and James A. Baker 3d, the U.S. secretary of state.

Among the pending accords, the sources cited:

• A U.S.-Soviet agreement to exchange information about their stocks of chemical arms.

• Verification techniques to be used in enforcing a nuclear test ban treaty that is now being negotiated. The Soviet Union has accepted U.S. proposals for both tests of local blasts and seismic monitoring.

• Better Soviet cooperation with U.S. programs aimed at restricting the spread of ballistic missile technology.

• Terms on peacetime mutual inspection in the talks on confidence-building measures being conducted in Vienna parallel to the talks on cutting conventional forces.

— JOSEPH FITCHETT

Soviet Arms Proposals: Can U.S. React?

By R. Jeffrey Smith

Washington Post Service

WASHINGTON — When the Soviet foreign minister, Eduard A. Shevardnadze, arrives at the White House on Thursday bearing what some U.S. officials expect may be a new strategic arms proposal, he may find the Bush administration unprepared to take swift advantage of new negotiating opportunities.

In the last month of preparations for the meeting involving Mr. Shevardnadze, President George Bush and Secretary of State James A. Baker 3d, U.S. officials have spent little time preparing potential solutions to three of the four major obstacles to a new accord on long-range weapons, they said in interviews last week. They were also sharply divided on how to resolve the fourth.

As a result, U.S.-Soviet disputes on mobile land-based missiles, space weapons, sea-launched cruise missiles and air-launched cruise missiles may not be settled quickly unless new Soviet proposals contain substantial concessions, the officials said.

The administration has mostly deliberated on limited agreements calling for inspections involving chemical weapons and nuclear testing, reflecting what officials describe as a quiet,

informal consensus that placed strategic arms talks on the back burner.

They offer several explanations, but the overriding reason appears to be that political pressures for a strategic accord appear to be declining as public anxiety about the Soviet threat wanes and the likelihood of reaching a dramatic new accord limiting conventional arms in Europe increases.

Meanwhile, they say, the likely political costs of reaching an agreement with the Soviet Union on strategic arms remain high because of continuing conservative agitation against any space weapons compromise and strong opposition within the U.S. Navy to limits on cruise missiles.

Some officials also blame Congress for the administration's reluctance to resolve longstanding U.S.-Soviet disputes on mobile missiles and air-launched cruise missiles. Without knowing the legislative fate of its proposed MX rail-mobile missiles and the Midgetman road-mobile missiles, officials say they should not decide whether or how many such missiles a future treaty should allow.

Without knowing the fate of the B-2 bomber program designed to complement the cruise missiles, they add, the administration should not draft final treaty limits on such missiles.

Although some arms-control officials argued that U.S. movement on these issues would create a favorable climate for legislative victory, most appeared to be holding out to see whether the Soviet Union will shift its position.

On space weapons and sea-launched cruise missiles, administration officials said they still had not done the careful internal study to lay groundwork for new U.S. proposals.

The U.S. emphasis on nonstrategic arms control is hardly new. In eight years in office, the Reagan administration agreed only to limit two categories of missiles incapable of reaching U.S. territory.

Reagan appointees helped lay the groundwork for a draft U.S.-Soviet treaty on strategic arms that is now roughly 450 pages long. But officials say they left unresolved some central issues in which the White House has shown little interest.

The White House spokesman, Martin Fitzwater, said last week that the United States rejected any suggestion that it was "foot-dragging" in the strategic talks. But some U.S. officials say more movement is needed if the Bush administration is to keep alive any chance of getting such an agreement in this presidential term.

Poles Mark '39 Invasion With Rites and Cautions

By John Tagliabue

New York Times Service

WARSAW — Poles on Sunday marked the day 50 years ago when Soviet troops — in accordance with the pact between Stalin and Nazi Germany — fell into Poland's eastern lands. And Lech Walesa called on the nation to help the newly elected Solidarity-led government build a land of "bread and smiles."

Standing behind banners bearing Solidarity insignia, delegations from all major industrial centers who gathered at the national shrine at Czestochowa heard the Solidarity leader's warnings. He said Poles faced "a very arduous task," and that it would be up to them to "build the Poland of our dreams."

Last year, at the annual workers' pilgrimage to the Shrine of the Black Madonna, there were placards demanding the release of political prisoners. Sunday, less than

a week after the swearing-in of the first government led by a Solidarity prime minister, Tadeusz Mazowiecki, there were different messages. "We support the Premier of Hope," said one.

Marking the occasion in past years, Mr. Walesa and other union leaders heeded government warnings that the church was not to be used as a political forum.

But church figures who spoke at the ceremony Sunday defended the ideals of the union and urged Poles to show patience and sacrifice to assure the government's success.

Cardinal Henryk Gulbinowicz, the archbishop of Wroclaw, said that "every thinking person in Poland understands that the good toward which the nation is moving must be paid for at the beginning with sacrifices."

But while the banners were waved and the cleric's words were applauded, there was also the recollection that 50 years ago war had burst upon Poland from the East.

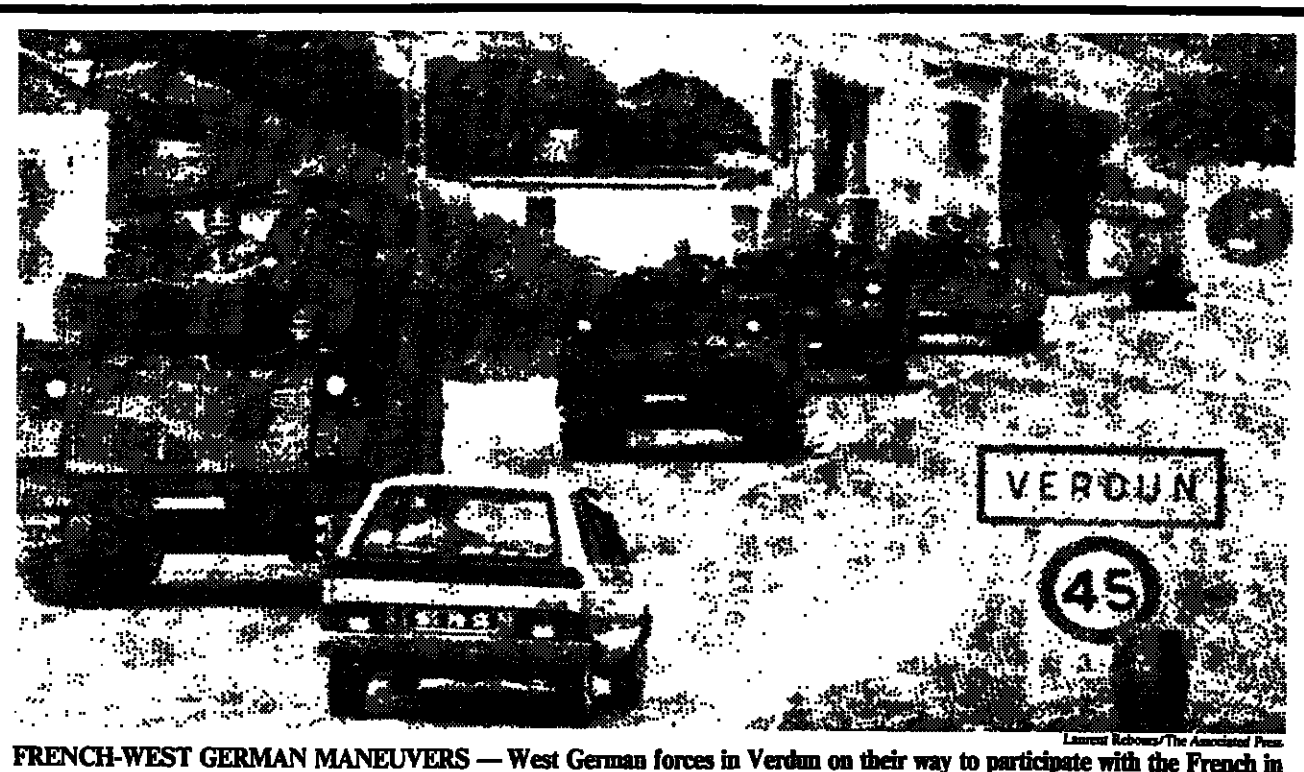
In the past, Communist governments marked the start of the German invasion on Sept. 1 with fanfare and the laying of wreaths. But Sept. 17 was always marked privately by people at cemeteries, in churches and in living rooms. Attempts at public commemoration were regularly broken up by the police, presumably to avoid offending the Soviet ally.

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FRENCH-WEST GERMAN MANEUVERS — West German forces in Verdun on their way to participate with the French in army maneuvers, which start Monday and are to last a week. The two countries are the first in Europe to carry out joint exercises.

Restive Soviet Miners Show Some Clout

By Bill Keller

New York Times Service

MOSCOW — Two months after they led the largest industrial walk-out this country has seen since the 1920s, independent coal miners have taken the first steps in a campaign to seize control of the official coal workers union.

At a meeting of the union's governing central committee, strike leaders succeeded in ousting several union officials and won a commitment to hold a nationwide coal workers congress in March.

Strike leaders said the successes would probably be enough to prevent an outbreak of new work stoppages this fall.

But the trade union establishment rebuffed the strikers' demand to sever connections with the Communist Party-dominated All-Union Council of Trade Unions and to create what would have been the first major independent union in the country.

Crisis in the Everglades: Pollution From Development Disrupts Balance of Nature

By Jeffrey Schmalz

FLAMINGO, Florida — The Everglades, a vast, delicate marshland that is home to some of the country's rarest birds and other animals, is caught in a worsening environmental crisis, with thousands of acres already unable to sustain wildlife.

The National Audubon Society estimates that the number of long-

legged wading birds, like wood storks and egrets, has declined 90 percent since the 1920s.

This summer, for the first time, fish in most parts of the Everglades have been declared unsafe for eating, because of mercury contamination. Alligator hunting, in season this month in Florida, has been banned because of high mercury levels in the meat.

But of even more concern to offi-

cials is the runoff from dairy, sugar-cane and other farms. Environmentalists say the runoff, rich in nutrients, has led to an explosion in the growth of plant varieties that clog open waterways, robbing them of oxygen and crowding out animal life. The plants, especially cattails, are spreading at the rate of four acres (1.6 hectares) a day.

"We ditched, diked and drained Florida, thinking that was progress,

before we realized we had totally changed the whole balance," said George T. Frampton, the president of the Wilderness Society.

Officials have responded to the crisis with a flurry of proposals. The U.S. attorney in Miami has sued the state to compel it to enforce its own water discharge standards.

The Army Corps of Engineers has begun studies on how to con-

trol the flow of water so that the dry season stays dry and the wet season wet — an important cycle affecting birds' nesting habits that was disrupted by levees.

Congress is considering a bill that would bring 100,000 more acres under the protection of the Everglades National Park, which encompasses more than a third of all the Everglades.

State water managers have proposed seizing 40,000 acres of private and state-owned wetlands that would be used as a natural purification system to filter out nutrients before they reach sensitive areas.

But the proposals are bogged down in bitter fighting between environmentalists, who charge that state water managers favor the agriculture industry, and the industry itself, which argues that it is being made a scapegoat for the state's failure to manage growth.

If officials seem unsure about exactly how to proceed, that is in part because there is no other area quite like the Everglades and therefore no model to follow. Over many of its more than three million acres, the Everglades is nothing but a perfectly flat sea of water and tall grass, home to the alligator, the Florida panther and a spectacular array of birds like the great white heron and the roseate spoonbill.

"Obviously, we will never restore the Everglades to what it was," said Pat Tolle, a spokeswoman for the Everglades National Park, at 1.3 million acres the second largest in the country, after Yellowstone.

But maybe with management we can improve some of the conditions. I don't think it would be

stretching it to say we're on the cutting edge between survival and death."

The story of the Everglades, environmentalists and water management officials say, is the story of a well-intentioned but misguided project that began in 1948.

That was the year the federal government, trying to make the central part of southern Florida economically viable, sent in the Army Corps of Engineers to build 1,400 miles (2,200 kilometers) of levees and canals south of Lake Okechobee to drain 700,000 acres of wetland so that it could be used for agriculture.

The canal network also acts as a link — and, at times, a barrier — between the Everglades' main source of water, Lake Okechobee, and the Everglades themselves. Once the canals and the levees were complete, the flow of water depended on decisions by engineers, not acts of nature.

And then, in the late 1970s, Lake Okechobee began to change dramatically, damaged by blooms of toxic algae and other plant life that sapped its oxygen. Officials concluded that the main problem was phosphorus and that it came partly from the runoff of cow manure at dairy farms around the lake.

But they said it also came from the runoff of the 700,000 acres of wetland that had been converted to agricultural use and that was releasing phosphorus naturally as its soil decayed. The state had been pumping that runoff into the lake. Water management officials then stopped pumping the runoff into Okechobee and pumped it instead into the Everglades, think-

ing the area was so large that it could absorb the nutrients. It is that decision, environmentalists say, that has led to today's problems, especially the explosion in growth of the cattails that are choking the waterways.

Meanwhile, researchers are testing animals to see how widespread the mercury contamination is. Biologists say they do not know the source of the mercury.

Last week, for the first time in a decade, the state began pumping water that it knows is laden with nutrients into Lake Okechobee.

Officials said they had to do it so they could draw on the lake, which has been running low, to supply the drought-stricken Miami area, 50 miles to the south.

"We're living on the edge with this system in terms of meeting the water needs for 4.5 million people," said John R. Wodarski, executive director of the South Florida Water Management District.

"If man is going to live in South Florida and have enough water to drink, we're going to have to do some things to compromise the environment."

U.S. Is Worst Offender In Rise of Carbon Dioxide

Washington Post Service

WASHINGTON — Emissions of carbon dioxide have grown faster in the United States than in the rest of the world since 1986, reversing a 17-year trend, an American research group reports.

Statistics compiled by the World Resources Institute, a Washington-based public policy research group, show a 7 percent increase over two years in U.S. emissions.

The United States is the largest generator of carbon dioxide, contributing 23.7 percent of worldwide emissions last year, according to the institute, which began the analysis in 1971. In 1987, the percentage was 23.5.

The institute attributed the rise to falling oil prices and renewed economic growth.

The last two years registered the only consecutive increases in the U.S. share of worldwide emissions of carbon dioxide created by combustion of fossil fuels.

Rafe Pomeroy, a senior associate of the institute, said the statistics put "more pressure on the United States to lead the world in carbon dioxide reductions."

"The basis of U.S. policy has been that we're a shrinking share in comparison to the rest of the world," he said. "It hasn't been true for the past two years."

Rain and Heavy Fines Help Ease Amazon Fires

By James Brooke

MANAUS, Brazil — Plumes of gray smoke are again rising over the green sea of the Amazon rain forest surrounding this city.

But preliminary figures from this year's dry season point to an emerging trend: a marked drop in the burning of the forest.

Rain, heavy fines, and reversals of federal policies are combining to slow the burning, according to environmentalists.

"In 1989, there has been a considerable reduction in burning," said Alberto Setzer, director of a three-year-old Brazilian project to monitor the fires through satellite photographs.

In June, Mr. Setzer's researchers reported that fires during the 1989 dry season destroyed 37 percent less forest than in 1987 and the trend appears to be continuing.

Rain — not human effort — appears to be the major factor in this pause in the Amazon's destruction, although fines and new policies do help. The Amazon received little rain in 1988 during the traditional dry season — mid-June through early October — but this year, first reports indicate that much of the Amazon is getting even less rain.

"This is going to be an unusually wet year,"

said Paulo Nogueira Neto of the University of São Paulo.

The burning of the Amazon has become a growing international environmental issue. Studies last year showed that fires produce about 1 billion tons of carbon dioxide annually and many climatologists believe that carbon dioxide building up in the atmosphere will trap the Earth's heat, producing global warming.

The burning is also removing the huge tracts of forest that produce a major portion of the globe's fresh oxygen. Several federal policy changes also may be slowing the devastation. This year, Brazil suspended tax incentives that had made it profitable for landowners to clear large tracts or cattle ranches. Last year, it adopted a constitution that did not penalize owners of unproductive land.

This year, as international pressure widened, Brazil began a highly publicized campaign to slow the burning. Agents from the Brazilian Institute of Environment and Renewable Natural Resources have handed out \$10 million in fines in the last month to landowners who burned without a permit from the institute.

Mr. Nogueira, a pioneer in the environmental movement, visited a farm 100 kilo-

eters (60 miles) from Manaus that wanted to burn a tract. "The farm workers were talking among themselves about whether the helicopter would come," he said. The agents arrive in helicopters and trucks.

One measure of the institute's success is the violent resistance to those who levy the fines. Gunfire greeted a helicopter sent in August to investigate a report of an illegal fire in Marabá, in Pará state. Elsewhere in the state, hired gunmen killed a forestry agent.

After an attempted killing in May, the institute's representative in Acre state, Paulo Benício de Sales, began leaving his house only under police guard. The president of the agency, Fernando César Mesquita, is receiving death threats.

Rather than depending on police action or on the vagaries of rainfall, many environmentalists argue that forest burning can best be reduced by withdrawing its economic incentives.

They say that tax incentives should be ended — not just suspended — for farms, cattle ranches, sawmills, and pig-iron mining projects, that higher taxes should be imposed on land sales to cool land speculation, and that road building should be restricted to those areas with soils that can support agriculture.

A Drug Called Ice Racks Hawaii and Heads for Mainland

By Katherine Bishop

HONOLULU — The use of smokable methamphetamine, which produces a much longer period of euphoria than crack cocaine and is followed by a more disturbing psychological reaction, has reached major proportions in Hawaii and has begun to appear in several cities on the mainland as well.

Experts on substance abuse say they fear that use of the drug, called ice, could grow to devastating proportions among many of the as-

tion's addicts, especially if efforts are successful to halt the smuggling of cocaine from abroad.

The drug can be made cheaply and easily in the United States and is now used to make speed, the powdered form of methamphetamine, a synthetic stimulant of the nervous system that is a form of amphetamine.

"There is an urgent need to stop the flow of cocaine from overseas, but there are plenty of dangerous drugs that are made in the U.S.," said Donald Hamilton, a spokes-

man for William J. Bennett, the federal drug policy director. "Experts are warning us that smokable methamphetamine will be the drug plague of the 1990s."

James N. Hall, the executive director of Up Front Drug Information Center in Miami, a nonprofit research foundation, agreed, saying: "Drugs from clandestine labs will demand attention because the United States is becoming a big producer of drugs. In the 1990s, most drugs used in America will be made in America."

At present, most of the smokable crystals of methamphetamine are made in Hong Kong, South Korea and the Philippines and are smuggled into the United States by Asian drug gangs.

Law-enforcement officials say ice, which was virtually nonexistent in Hawaii only 18 months ago, has already become its most serious drug-related problem. Arrests in

Honolulu for the possession or sale of ice have reached 400 this year, more than double the arrests in connection with cocaine and crack, its smokable derivative.

In addition, the arrests of sellers and users of ice are now being reported by the police in the areas of San Francisco Bay, Los Angeles, San Diego and Phoenix and in parts of central Florida, though the apprehensions in those areas are still small in number.

Alma Y. Takata, chief of the mental-health division of the Hawaii State Department of Health, said Honolulu was averaging six hospital emergency room admissions a night for people being treated for symptoms caused by smoking crystal methamphetamine.

"They go absolutely crazy," she said. "They are bouncing off the walls. You've never seen anything

like it. They're much more belligerent than those on crack."

She said a survey of the 700 people who appeared for emergency treatment in the last six months showed that 50 percent had been using the drug by itself or in conjunction with another drug.

Although ice creates feelings of euphoria followed by severe depression just as crack does, its effects differ significantly.

Instead of the 15-minute high with crack, the high from ice may last as long as 24 hours, and the psychological crash is much worse. In addition to euphoria, crack, which is a stimulant, may produce highly excitable and agitated behavior and severe but short-lived depression.

With ice, along with depression, are symptoms of acute psychosis not normally associated with crack that last up to 48 hours. Severe paranoia, hallucinations,

delusions and an impaired ability to speak coherently make its addicts temporarily indistinguishable from paranoid schizophrenics.

On a physical level, the drug can produce irregular heartbeat, convulsions and cause body temperature to rise as high as 108 degrees, which can bring kidney failure.

The ice dealers have held the price above that of cocaine, thereby creating enormous profits. They have been able to maintain this high price because of the long-lasting effects of the drug and because of the appeal of its newness, officers in Hawaii say.

Ice is being sold in one-gram sealed plastic bags for about \$400. It is also sold in \$50 bags of one-tenth of a gram, the amount normally used for a high.

The authorities say that abuse of ice at this stage of its evolution cuts across all social, economic racial and ethnic lines.



HOPPED UP — On his way to a Guinness record for pogo jumping is Ashrita Furman of New York City, who bounced through the city for 13 miles. His only problem: potholes.

AMERICAN TOPICS

Law Graduates Bolster Public Service Salaries

One-third of this year's graduates of New York University's Law School are donating part of their income to a fund to increase the pay of lawyers who take public service jobs. The New York Times reports. The idea is to encourage law graduates to choose careers in public service despite its low pay and despite any tuition debts they may owe.

The 12 organizers of the Public Service Fellowship Fund say they modeled it on one begun at Harvard Law School 10 years ago as well as on a fellowship started in 1988 by Skadden, Arps, Slate, Meagher & Flom, a leading New York law firm. But New York University's fund is the first in which graduates offer sustained financial support to their classmates, according to Michael Candel-Felgen, executive director of the National Association for Public Interest Law.

Students are encouraged to contribute 1 percent of their salaries each year for the first five years. Already, a third of the May 1989 graduates have agreed to pledge a total of \$225,000.

Like many of the other high-ranking law schools, New York University has found it difficult to encourage graduates to enter government or other public service. Beginners' jobs pay perhaps \$25,000 a year. Blue-chip law firms pay as much as \$80,000 a year to start.

Notes About People

The hot football card these days is one with a picture of Jack Kemp on it. The New York Daily News reports that the 1960 card of the U.S. secretary of housing and urban development, the year when he was a rookie Buffalo Bills quarterback, sells for \$300. Bills quarterback is growing. Of all modern football cards, only Joe Namath's, at \$900, is worth more. The basketball market is not as good. A card with a picture of Senator Bill Bradley, Democrat of New Jersey, when he starred

for the New York Knicks sells for a mere \$35.

Most 59-year-olds would be content to have their doctors tell them they look good. But not Miltz Gaynor. She told an interviewer that when her physician told her that, just before she left on a lengthy tour to star in the Cole Porter musical "Anything Goes," she replied, "What do you mean good? Whatever happened to sensational? What's the matter, you never heard the word magnificent before?"

Short Takes

To encourage motorists to slow down, police in Southern California are turning to radar guns that display the speed of passing cars on glowing screens mounted on trailers and parked along city streets. Typically, a driver will be confronted with a sign saying "Speed Limit 35 MPH [about 55 kilometers per hour]. Your Speed 54 MPH." The police call it a "gentle reminder." Bill Strickland, who has a patent pending on the device, says: "It's like looking at a big speedometer through your windshield. You can't say you didn't know how fast you were going."

Americans are the worst spellers in the English-speaking world, according to a Gallup quiz. The best spellers are in Australia, followed by Canada, the United Kingdom and then the United States. Americans misspelled, on average, more than 6 of the 10 words on the latest test. The quiz was first given 34 years ago. The same words — magazine, sandwich, keratome, calamity, penitentiary, picknick, deceive, accelerator, cauliflower and parallel — were on the test given this year. Only 1 in 20 adults among all those tested could spell all 10 words correctly.

A small red fox who patrols the eighth green of the Black Rock Golf Course near Hagerstown, Maryland, likes to grab balls before they have stopped rolling, scamper off and bury them. Mark Weber, the club professional, said that the fox was fun to watch and that there were no plans to get rid of it. No penalty is assessed to golfers who encounter this movable hazard.

Arthur Higbee

Colombia 'Day of Love' Is Punctured by Bombs

By Joseph B. Treaster

BOGOTÁ — Colombia has marked its annual "Day of Love and Friendship" after one of the most violent nights in the drug war. The usually relaxed and festive day, which is a family and collegial version of Valentine's Day as observed in many other countries, was disrupted by an avalanche of telephone death threats and a rash of attacks that kept many Colombians in their homes.

Across the nation on Saturday, military and police units were on full alert. In the capital, squads of soldiers patrolled the streets and stood guard at banks, public buildings and shopping centers.

Bombings and shootings overnight left two policemen dead and wounded five other officers and nine civilians. It was the first time since President Virgilio Barco Vargas declared an all-out war against the country's drug traffickers four weeks ago that policemen had come under attack.

A journalist was killed in the Pacific port of Buenaventura, and a nightwatchman died as three bombs rocked the city of Cali in the latest round of violence, Reuters reported on Sunday from Bogotá.

[The police said Guillermo Gómez Murillo, 46, a correspondent for El Espectador, Bogotá's largest newspaper, and El País, the Spanish daily, was shot at his home on Saturday night by three gunmen. They said there was no known motive for the murder, but journalists have been repeatedly threatened by drug traffickers.]

Mr. Barco stiffened his campaign against the drug traffickers on Saturday by ordering Colombian Air Force pilots to force down or shoot down drug-smuggling planes. The pilots will be trying to stop drug-laden planes heading north to the United States and to cut off supplies of semi-refined cocaine entering the country from

Peru and Bolivia, where most of the coca crop is grown.

In preparation for the Day of Love and Friendship, Nacim Yane Díaz, the chief of police in Bogotá, went on television to assure residents that the police would provide "security, tranquility, and harmony."

But he added that "citizens should take the threats seriously" and said their help in combating violence was indispensable.

In the attacks on the police, a sergeant and a corporal were killed in an ambush in the capital and five other officers were wounded in bombings in Cali and Medellín, the two main trafficking centers. Two wounded officers were apparently not direct targets but were wounded as they happened to pass explosions in Cali that damaged six banks and a handful of shops.

The policemen killed in Bogotá were plainclothes officers from a unit that had held Eduardo Martínez Romero until his extradition to the United States on money-laundering charges two weeks ago. The drug traffickers had promised to retaliate for the extradition.

An hour and a half after the ambush of the two policemen, the offices of a Bogotá daily, El Siglo, were sprayed with gunfire from a speeding car. No one was hurt.

Until now, Cali had been quiet. The Cali traffickers have generally avoided attacks against public institutions, and there was immediate speculation that the bombs were set by the rival Medellín drug ring.

In the mountains rising east from the Magdalena River Valley, meanwhile, a traffickers' band, equipped with U.S.-made Colt AR-15 automatic rifles, ambushed and killed eight emerald miners, the police said, in a continuation of efforts by a Medellín leader to take over the emerald business and to fortify the perimeter of the Magdalena cocaine processing area.

Noted U.S. Mezzo-Soprano, Jan DeGaetani, Dies at 56

New York Times Service

NEW YORK — Jan DeGaetani, 56, an American mezzo-soprano who became a champion of avant-garde music, died of leukemia Friday night in Rochester, New York.

Miss DeGaetani developed into one of the most respected singers and musicians on the international scene and, in the opinion of many critics, the finest song recitalist that the United States has ever produced. Her creamy voice was wide in range, perfectly placed and produced, always on pitch and handled with consummate artistry.

She sang everything but opera and had one of the largest repertoires of any singer. She was as much at home with a Beethoven mass as with a Barokk song cycle with orchestra.

Miss DeGaetani sang in many languages as though each were her native tongue. Her concert tours

took her all over the world, and she sang with virtually every major orchestra and conductor. She was exceptionally well known as a specialist in contemporary music.

Other deaths:

Berry Fleming, 90, an American novelist, noted for his works in the 1930s and '40s, who made a literary comeback in the 1980s and whose comic novel "Captain Bennett's Folly" was published recently by The Permanent Press, of cancer Friday at his home in Augusta, Georgia.

Arye Dubin, 76, former chairman of the World Zionist Organization and the Jewish Agency, in Israel on Wednesday.

Abba P. Schwartz, 73, a lawyer and former high-ranking U.S. State Department official who was an expert on immigration, of a heart attack Tuesday in Brussels.

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How can it not be in the Western interest to help a policy succeed that the West has wanted all along? Given Mr. Gorbachev's moderate foreign policy course, it is clearly in the West's interest to act vigorously to strengthen his internal position.

The president's disposition to let events take their course has not served him badly so far. His popularity has now soared to 70 percent, a near-record in the last decade. But his standing will not survive catastrophe, and catastrophe almost certainly will result if he forgoes the advantages of decisive U.S. action and is compelled to be merely reactive in crisis.

Politics aside, there is no easy way to incorporate state-controlled economies into the GATT. It links market economies whose prices are set by market forces. A government like China's can raise or cut prices without regard to cost, making tariffs meaningless. For example, if the American tariff on imported fireworks were 10 percent, Beijing could wipe out the effect by dropping prices 10 percent.

For now, it is sufficient to keep talking. In the long run, everyone's best interests will be served by integrating the Communist powers into the Western trading system. Free trade fosters prosperity — and peace.

— THE NEW YORK TIMES

Not long after the horror in Stockton, President Bush began the process of banning imports of certain such weapons as designated by the federal Bureau of Alcohol, Tobacco and Firearms. These military-type weapons, which have no legitimate recreational use, are the instruments not only of one-man killing sprees but of drug lords around the world. William Bennett, who heads the Bush

Until domestic versions of the imports also are banned, however, immense and avoidable threats to public safety remain. More and more gun owners, firearms experts and sportsmen are concluding that legal distinctions in firearms can be made to protect the public and the police. Congress is at work on legislation. President Bush's comments on Friday, expressing doubts about how banning certain weapons would stop tragedies like Louisville's, were not encouraging. How can he object to making the possibility of such tragedies even a little less likely? Must there be a sequel to the Louisville massacre?

Marcia Lowe, who did the research, found that 8 percent of daily downtown trips in Manhattan are accomplished on bikes, a higher percentage than such places as Toronto, London or Sydney, but far behind the 77 percent record in Tianjin, China. The ratio of bicycles to cars is 250-to-1 in China, while the United States is one of the few nations with more cars than bikes.

The report singles out the Netherlands as

"the most bicycle-friendly" industrial country, as demonstrated by the construction of direct and uninterrupted cycling routes so that up to half of urban trips are made on bicycles. The report also notes the success of Davis's encouragement of bicycles, which now account for 25 percent of total town trips. "Cyclists trailed filled with groceries or children are not an unusual sight." And it cites Palo Alto for ordinances that "ensure that new developments provide secure bicycle parking and showers for employees."

But, the Worldwatch report laments: "Only in China and a few West European nations do traffic data count bicycles among forms of transport. The U.S. Department of Commerce refers queries about bicycle sales to its division of toys and games."

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One reason is that military plan-

Would that mean the Norwegians' northern flank would be left

uncertain whether he can maintain
his way through the painful trans-
formation he has launched. That is

The New York Times.

I tend to think that Mr. Gorbachev is in it for the longer haul. By his design and the default of

Yeltsin is sometimes put down as demagogic and flaky, and he not only advertises the Gorbachev openness but aggravates the Gorbachev heartburn. But he represents, if not exactly democracy, then the great part of Soviet public opinion that

greater discipline would be countered by the progressive forces Mr. Gorbachev has stirred and strengthened. We must keep asking whether we are measuring trends in Moscow, or moods.

The Washington Post

high buyers for cash advances which, instead of aiding the economy, have been used to buy arms for the endless warfare against ethnic minorities in Burma's mountainous periphery.

coups and took refuge in the hills. This has reshaped the students' image of these once-feared groups. They along with refugee Buddhist monks

because of human rights violations of others, including Japan and South Korea, have restored aid. The efforts of the United States and Amnesty International, the human rights

1914: Austrians Route
PETROGRAD — The rout of the Austrian army in Galicia is now complete since the taking of Lemberg. The

Austrian losses are estimated 250,000 killed and wounded, 100,000 prisoners, 400 guns, many colors, and a vast quantity of stores. The Germans made desperate attempts to save the

ist" and it was "protecting the interests of the Soviet Union." News of the invasion was revealed simultaneously by Russian and German radio. Later

made desperate attempts to save the Austrian army, but failed completely. At one point the Germans lost thirty-six pieces of heavy artillery.

invasion was revealed simultaneously by Russian and German radio. Later Moscow sent notes to twenty-four nations, promising that the Soviet Union

De Klerk Reshuffles Cabinet For 'New Chapter' in History

By William Claiborne
Washington Post Service

JOHANNESBURG — The South African president-elect, Frederik W. de Klerk, has announced a major reshuffle of his cabinet.

Only six members of the 17-member cabinet that Mr. de Klerk inherited from President Pieter W. Botha will retain their portfolios in the new cabinet.

They are Foreign Minister R.F. Botha, Defense Minister Magnus Malan, Finance Minister Barend du Plessis, Justice Minister H.J. Coetsee, Law and Order Minister Adriaan Vlok and Environmental Affairs Minister Gerrit Kotze.

Before announcing the cabinet changes Saturday, Mr. de Klerk declared that his National Party government was "not married to" laws that segregate residential areas and public facilities by race, and said that he was prepared to negotiate their dissolution as long as individual rights of association and dissociation were maintained.

"The next five years will be decisive for many decades ahead," Mr. de Klerk said at a party meeting in Pietermaritzburg. "The time has ar-

ived for us to start writing a new chapter in the history of South Africa."

For the first time in years, the cabinet will include two ministers of English-speaking background. Mr. de Klerk, who will be inaugurated in Pretoria on Wednesday, also said that he would appoint Gerrit Viljoen, currently minister of black education and development, to the key post of minister for constitutional development, responsible for negotiating a new constitution that will give the disenfranchised black majority a role in governing the country.

Mr. Viljoen is a leading figure in the wing of the National Party that advocates change. He has been credited with significant improvements in South Africa's segregated education system, including salary parity and equal standards for black teachers.

Mr. de Klerk said he had approached leaders of the Indian and mixed-race chambers of Parliament about appointing members of those houses to the cabinet or as deputy ministers, but had not found willing nominees. Although Parliament has enacted a measure

that would allow a black to be appointed to the cabinet, no black leaders have expressed a willingness to join the government.

Mr. de Klerk also named Mr. Coetsee chairman of the ministers' council of the white chamber of Parliament. A member of the progressive wing of the party, Mr. Coetsee has met recently with the imprisoned African National Congress leader, Nelson Mandela, about his possible release.

Dropped was Health Minister Willie van Niekerk, a Botha loyalist regarded as one of the more conservative cabinet members.

Mr. de Klerk also announced discontinuance of the two-year-old Ministry of Information, currently led by Stoffel van der Merwe, whom he said he would appoint as minister of black education.

Mr. de Klerk said that the ministry, which to liberals suggested a totalitarian propagandist department, would be replaced by a "smaller and more professional communication service" that would report directly to the president. He said that the National Intelligence Service would also fall directly under his control.

Week's Total Of Refugees To the West Hits 15,500

Reuters

BONN — A week after Hungary opened its border to the West for emigrating East Germans, officials said that 15,500 of them had arrived in West Germany and that more than 500 a day were expected in the immediate future.

The police said that in the 24 hours ending Sunday morning, 1,038 refugees entered Austria.

Refugees and aid workers said, however, that some East Germans were being stopped while crossing through Czechoslovakia to Hungary.

Officials at a reception camp in Budapest said that Czechoslovak guards at the border with Hungary had started refusing to allow some of the East Germans to cross even if they had valid travel permits.

"It is something that has happened today, though we don't know how many people are affected," said a West German official helping to run the camp.

Many of the mostly young and skilled emigrants who have reached Hungary are bypassing transit camps and driving nonstop into the West, fearing that the border might close as swiftly as it opened.

Hungary pledged to keep its frontier open indefinitely rather than bowing to appeals from East Germany, an ally.

In an article for the West German newspaper Bild am Sonntag, Hungary's prime minister, Miklos Nemeth, said that the frontier would stay open in line with humanitarian agreements that his country had signed.

"If one really wants to build the European house that President Gorbachev has spoken of, one cannot close the borders again," he wrote. "In such a house there can be no rooms that are separated from one another by barbed wire."

BORDER: Hungary's Move

(Continued from page 1)

sion," Mr. Nemeth is reliably reported to have said to Helmut Kohl, the West German chancellor, when they met in a castle near Bonn on Aug. 25 to discuss the growing refugee problem. "And the Soviets have not said no."

The Hungarians asked at the meeting that their decision be kept secret while they sought to persuade the East German government to accept it without a public quarrel. In a sign of the growing influence of Bonn on East European questions, Mr. Nemeth asked the West Germans also to persuade East Berlin to react calmly.

But the efforts to deal quietly with East Berlin failed. East Germany has bitterly attacked Hungary and accused Bonn of bribing Budapest to allow the exodus.

Diplomatic sources said that Mr. Kohl and Mr. Nemeth were careful to separate their discussions about the refugees and a talk about economic links. But officials in Bonn acknowledged that Hungary could now look forward to increased aid and a more sympathetic hearing in West Germany for Hungarian efforts to negotiate an associate status with the European Community.

At the Aug. 25 meeting, the Hungarians apparently did not provide the West Germans with details about the Soviet acquiescence to their decision on the refugees.

But their comments suggested that they do not accept the view frequently heard in the West that the Soviet leadership is so preoccupied with domestic problems that it has to let East European developments run their course.

Instead, Hungarian officials portray Mikhail S. Gorbachev as consciously seeking to keep slightly in front of the surge of political change that is sweeping across Poland and Hungary.

Contacted by telephone, U.S. officials based in Washington confirmed that the United States had stayed on the sidelines as the Central European countries worked out their response to the refugee crisis.

"We were kept closely informed by Bonn and Budapest," a U.S. official said. "Events were moving very much in the direction we would have wanted, since Hungary was resolving this humanely, and moving cautiously. Our interests were not adversely affected, so there was no reason to get directly involved."

In France, relief that the exodus had gone off without disorder was mingled with concern that the open repudiation of the East German government by so many of its citizens would create renewed interest in reviving the two German states divided at the end of World War II.

"We have to be extremely careful now in what we say since the Germans are very sensitive to our saying anything that suggests we still fear a united Germany," a French official acknowledged in Paris. "But it is clear that while we favor reunification, we would not want it to come about too hastily."

Ridgway Sees Green Light
Rozanne L. Ridgway, assistant secretary of state for Canadian and European Affairs and a former ambassador to East Germany, was asked Sunday whether she thought Moscow had given Hungary the green light. She replied: "I do think that is true." The Associated Press reported from Washington.

AIRLINE: U.S. Inquiry Finds Pan Am Had Several Security Violations

(Continued from page 1)

tration will soon make public the findings of its investigators, who visited Pan Am's terminals in Frankfurt and London in the weeks after the Dec. 21 bombing to inspect security measures there. The agency is expected to assess penalties, which may include monetary fines, on the basis of the findings.

Company officials are urgently trying to modify the agency's report, and the penalties are still being reviewed by senior U.S. government officials, including the aviation agency administrator, James B. Busey, who involved say.

The Federal Aviation Admin-

tration actions come at a delicate moment. The company is already under financial pressure caused in part by a decline in business after the bombing, and the agency is under increasing White House and congressional scrutiny over the effectiveness of its security regulations.

The disclosures could also play an important role in lawsuits brought by relatives of the bombing victims. In those suits, lawyers for the plaintiffs said, Pan Am is being accused of neglecting to ensure the security of its flights from Frankfurt.

To some extent, the differences

between the company and the agency involve such technical issues as whether specific ways of keeping records and tracking baggage comply with the security plans. In some cases, the measures violated but were considered to be just as thorough.

The aviation agency has the option of issuing administrative remedies instead of civil fines, in effect chastising the company and spelling out what steps have to be taken. If fines are levied, they could amount to thousands of dollars for each incident in which the company was found not to comply with the terms of its security plan.

In a separate development, the aviation agency has announced that it will impose more than \$1.2 million in civil penalties against 27 U.S. airports for security lapses at screening points. The airlines had failed to detect test objects resembling guns or explosives that were hidden in luggage by undercover inspectors for the aviation agency.

The fines covered 178 instances in which airline employees failed to detect the test devices.

Pan Am was fined \$65,000 for 11 incidents. The agency said this was part of a continuing program to ensure security at domestic airports.

UKRAINE: 150,000 Demand End to Ban on Church

(Continued from page 1)

rights activist and member of the Ukrainian Helsinki Watch committee who was imprisoned in a labor camp for three years in the Brezhnev era, proclaimed the day historic and said, "A decisive step has been taken toward the rebirth of the Ukrainian church."

Lviv, capital of the short-lived Western Ukraine Democratic Republic after World War II, was taken by Poland in 1919 and confirmed as Polish by the Soviet-Polish Treaty of Riga in 1921. Lviv was annexed to the Ukraine by the Soviet Union in 1939.

German forces held the city during much of World War II, and most of the Jewish population was killed. In 1945, Poland formally ceded East Galicia, including Lviv, to the Soviet Union.

The Uniate Church of the Uk-

raines dates from 1596, when Ukrainian Orthodox bishops, confronted with the power of Polish Catholicism, established the Uniate faith.

Historians believe that Stalin feared that the Uniate Church would serve as a rallying point for Ukrainian nationalism, and hoped that by merging it with the government-controlled Russian Orthodox Church it would vanish.

The majority of Ukrainians who belong to a religious faith are now Russian Orthodox.

Anger in Armenia

In Soviet Armenia, where a railroad blockade imposed by nationalist strikers in neighboring Azerbaijan has created a shortage of essential supplies, the parliament debated whether to call for help from the Kremlin. Reuters reported Sunday from Moscow.

An Armenian journalist in the capital, Yerevan, said that anger was mounting against the central authorities.

"Azerbaijani extremists have declared war against Armenia," he said. "But where is the Soviet government? How can it allow such a situation where the population of a republic is driven to famine?"

Armenia and Azerbaijan have been locked since February 1988 in a dispute over the Nagorno-Karabakh Autonomous Region, an enclave in Azerbaijan where most residents are Armenians. More than 100 people have died in ethnic fighting over the region, now ruled by a special Kremlin commission.

The Soviet leadership is due to tackle the nationalities question Tuesday at a long-delayed meeting of the Communist Party Central Committee.

NAVY: Soviets Appear to Be Upgrading Submarines

(Continued from page 1)

other NATO governments have expressed adamant resistance to naval arms control of any sort. They contend that Europe depends too heavily on U.S. reinforcements that would have to cross the Atlantic in wartime to contemplate any limitation on Western freedom of action on the seas.

But many Western officials, including some U.S. analysts, have started saying privately that this rejection is too rigid to maintain indefinitely.

The U.S. Navy disclosed in May that it was removing nearly 1,000 nuclear warheads from its ships — a gesture designed to suggest a series of unilateral cuts instead of any negotiations with the Soviet Union on naval weapons, U.S. and British officials said. The Soviet Union has not responded except with more proposals for negotiations.

Mounting concern about Soviet submarine strength in the Atlantic coincides with a new assessment in Washington and London about the gravity of the Soviet submarine threat to Sweden.

U.S. diplomatic sources recently acknowledged that there had been what one called "some exaggeration" in previous concern about Soviet submarines operating in Sweden's shallow Baltic coastal waters since the early 1980s.

But a Nordic defense official with access to classified Swedish military reports said Friday that there was hard evidence of three to five incursions by Soviet subma-

rines in Swedish coastal waters each year.

The main Nordic concern focuses on Soviet submarines armed with missiles.

The Akula-class carries nuclear and conventional cruise missiles that can be launched from under water. They can be used, for example, in an effort to knock out Andoya Air Base and its maritime patrol planes.

To defend Norway and the North Atlantic in a conflict, NATO counts heavily on maintaining control of Andoya and other airfields concentrated in a heavily defended small part of northern Norway.

Although located above the Arctic Circle, this area is open to submarine attacks even in winter because warm ocean currents reach the Norwegian coast, keeping it ice-free.

Norway is considered partly to blame for the improvement in noise control in Soviet submarines because a state-run Norwegian firm circumvented a Western embargo and helped supply technology for quieting propellers.

But the Akula-class vessels also have what an officer called "an electronic shield" that prevents the submarine's hull from being detected by magnetic sensors.

The Norwegian patrol plane spotted the Akula-class submarine on the surface, and only realized how quiet it was when the aircraft's screens lost the submarine as it dove.

The Akula-class submarines, of which the Soviet Union is believed to have three, have until now operated only in Pacific waters. Their appearance in the Atlantic, a Norwegian official said, highlights a build-up of Soviet submarine power in the North Atlantic.

A major development is the ability of more Soviet ballistic missiles to reach the United States from submarines outside Murmansk and the Kola Peninsula adjoining Norway in the northern Soviet Union.

To defend this ability, the Soviet Navy has deployed more Akula-like submarines that might try to slip into the Soviet bastion.

The United States, in contrast, lacks similar havens close to its shores where strategic submarines could be easily defended. The United States also has military and industrial installations close to the coasts that would be vulnerable to Soviet sea-launched cruise missiles.

European interest in naval arms control has been reinforced by another development: The Soviet Union has started building up the number of its older ballistic-missile submarines, mainly the Yankee class, in waters off Western Europe, U.S. sources said.

These Soviet submarines, while lacking the missile range to hit the United States from Soviet waters, presumably have targeted their missiles on Western Europe, they said.

DOLLAR: Forward Move Foreseen, but With Bumps

(Continued from page 1)

point out that currency values affect the trade figures with a lag of about nine months. Using that measure, the favorable July trade numbers were a function of a dollar valued at 1.78 DM and 134 yen. With the recent dollar value so much higher, the deficit is expected to begin widening later this year.

Other uncertainties include the pace of inflation and whether the economy is slowing or revving up. Washington reported Friday that U.S. wholesale prices dropped 0.4 percent in August, but analysts cautioned that the so-called core

rate — excluding volatile food and energy prices — rose 0.5 percent in the month, for a 6 percent annual rate.

At the same time, a 0.3 percent increase in August industrial production, the biggest rise in four months, and a 0.7 percent rise in retail sales, reduced fears of an early cut in U.S. interest rates, which should help buoy the dollar.

The dollar is expected to take a hit when the Bundesbank raises West German rates — an event that is widely expected and which will narrow the dollar's attraction. The wild card in the dollar's fu-

ture is Mikhail S. Gorbachev. Doubts about his capacity to remain leader of the Soviet Union for more than another nine months are already a factor in buoying the dollar, some dealers report, and his actual downfall would trigger a massive flight into the dollar.

Earthquake Jolts Tehran

Reuters

NICOSIA — An earthquake jolted Tehran and districts in northern Iran on Sunday. The Iranian press agency IRNA said it was the third earthquake to hit Iran in five days.

Dole Envisions Limit on Guns But Not a Ban

United Press International

WASHINGTON — The Senate minority leader, Bob Dole, said Sunday that he would like to see Congress draft a bill limiting the use of semi-automatic weapons and suggested that legislators "might go further than the president" in setting limits.

Senator Dole said that Congress might consider limiting the number of cartridges that could be loaded into a magazine and call for stricter penalties for crimes with a gun. But he said banning the weapons would be difficult.

The debate on semi-automatic weapons was intensified last week with the murders of seven people in Louisville, Kentucky. President George Bush said Friday that the slayings did not alter his opposition to legislative efforts that would ban or restrict such weapons.

A bill to ban a smaller list of assault rifles, including the type used in Louisville, has been approved in committee.

ISRAEL: Rabin Trip Is On

(Continued from page 1)

lem Arabs to vote in the elections, and freeze settlement construction or expansion for an indefinite period. Those are directly contrary to Likud's position.

For several days, the top four members of the government — Mr. Rabin, the Labor Party leader Shimon Peres, Mr. Shamir and Mr. Arens — have been meeting regularly, trying to come to an agreement on how the government should respond to the Egyptian initiative.

Officials of both the Labor and Likud parties say the ministers are still nowhere near agreement, even though they met for two hours Saturday night.

Mr. Shamir and Mr. Arens remain adamantly opposed, while Mr. Peres and Mr. Rabin want Israel to adopt the plan immediately.

To break the deadlock they agreed to postpone further internal discussion of the plan until at least the end of this month, when both Mr. Peres and Mr. Arens return from trips to the United States. In the meantime, Mr. Rabin will be sent to Cairo.

The Israeli military censor forbade publication of the exact time of Mr. Rabin's trip, but Mr. Mubarak's own travel schedule requires that it take place early this week.

Mr. Bassiouni declined to say whether Mr. Rabin and not the prime minister would be in Cairo for talks with Mr. Mubarak except to say that "Mr. Rabin is a key in the peace process."

Prime Minister Shamir will be invited for the larger conference in Cairo, if and when it occurs, he added.

WINE: The Weather Will Have the Last Word on '89

(Continued from page 1)

1989 will be a great vintage while the sun still shines, "it could start to rain tomorrow and not stop for 10 days." This would have particularly serious consequences in Bordeaux, which has four main grape varieties ripening at different times, and where much of the harvest remains to be gathered.

In the Champagne district of northern France, the harvest is far advanced, and producers are predicting a vintage to match the great ones of 1934, 1945, 1950 and 1960, according to Le Monde. A spokesman for the producers called it "an extraordinary year."

Wine producers in the Burgundy, Touraine, Jura and Beaujolais regions as well as Bordeaux are saying that 1989 looks like being an exceptional vintage.

But more cautious experts insist that it's far too early to tell.

"In the past, wine producers wasted no time criticizing commentators unwisely enough to pan a vintage at this early stage — so I think they should play by the same rules," said Jancis Robinson, a British wine writer. "The ones I respect are talking about the probability rather than the certainty of a very good vintage."

Frank J. Priol, the wine writer for The New York Times, said, "The grapes are exceptionally early and

in extremely good condition, so the stage is set for making a very fine wine. But this doesn't mean that a great wine will necessarily be produced."

Mr. Priol pointed to 1976 as an other year when there was an early

'A little rain wouldn't hurt, but a lot would.'

Peter Sichel, a chateau owner

harvest with seemingly excellent grapes.

"It was a decent wine," he said, "but not a great one."

Mark Williamson, co-owner of Grapes, a wine export and import company, and owner of a wine bar in Paris, said a lot of people were "talking up" the harvest.

"There's a lot of counting chickens before the eggs are hatched," he said. "You can look at the quality of the harvest and say the grapes are wonderfully ripe, and that they've got a good acidity, and that there is no rot; and therefore you are going to make a good wine. But to say now that it is going to be an exceptional wine is impossible."

"Let's say that everything looks

wonderful and that at 6 o'clock this evening there is a hailstorm. That means that by midday tomorrow oxidizing will have set in and you will get rot."

"If I were in Burgundy or the Loire valley hoping for a late harvest, I would be a little worried, because the weather has broken," he added. "I imagine that the Rhône valley is going to come out O.K."

In the Bordeaux region, Mr. Williamson said, "everything has looked wonderful up to now — they've had a little rain, but more or less when they wanted it."

The last time that Bordeaux had an exceptionally early harvest, in 1976, Mr. Williamson said, "it rained solidly for two weeks." As a result, the alcohol level dropped, and "it was not considered more than an average vintage."

That same year in Burgundy, Mr. Lynch recalled, "they had California weather and everything looked great." He said the alcohol was very high and they did not have to chaptalize — add sugar to aid fermentation — but "they turned out what were for the most part really heavy and vulgar wines."

Peter Sichel, the co-owner of Chateau Palmer and the owner of Chateau d'Angludet, both in Margaux, denied that vineyardists, other than "one or two who tend to get carried away," were being unduly optimistic.

He said he thought that the tendency to talk up a harvest came more from the press "than from anyone around here."

"We know it is a large crop, and that gets misinterpreted into a good crop and that gets further misinterpreted into an exceptionally fine crop," he said. "We are excited. We think we have a great potential."

But at the same time, he and other vineyard owners are keeping an anxious eye on the clouds.

"A little rain wouldn't hurt," he said, "but a lot would."

Oil Tankers Collide Off U.K.

Reuters

LONDON — Fires on two oil tankers that collided on Sunday off the northeast coast of Britain have been put out and all 55 crew members from the ships are believed to be safe, the Department of Transport said.

A spokesman said the Liberian-registered Phillips Okla and the Maltese-registered Fiona,

which collided in the Humber Estuary, were at anchor.

A marine pollution control unit headed into the area to clear up a five-mile (eight-kilometer) oil slick that had spread south of the accident area. The Phillips Okla was carrying 56,000 tons of crude oil and the Fiona had 46,000 tons of refined oil.

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 - Spikes a drink
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Solution to Friday's Puzzle

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Weekly International Bond Prices

Provided by Credit Suisse First Boston Securities, London, Tel.: 01 323 11 30
Prices may vary according to market conditions and other factors.

Sept. 14

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SINGAPORE

A Service-Oriented City-State With Regional Ambitions

Last year Singapore's airport handled 41,600 landings, the equivalent of around 114 every day of the year. Meanwhile, its port has emerged as the largest in the world, handling 142 million metric tons of freight cargo. Yet both complexes have plans to expand and Singapore intends to develop its role as a major center of finance, management and trading.

With the exception of its harbor, Singapore has no natural resources and thus relies on its people as the prime source of economic development. This is reflected in the determination with which the government has systematically sought to utilize the skills and talents of Singapore's multiracial Chinese, Indian and Malay population.

Singapore has a standard of education that is the envy not only of the region, but also of educators in other parts of the world. In addition, the government places considerable emphasis on work force training to upgrade existing skills and introduce new ones.

Gone are the days when foreign investors would look to Singapore for cheap labor. Now the city-state has become a base for sophisticated electronics manufacture, for financial management and for providing services to neighboring countries.

Outsiders are occasionally alarmed by Singapore's emphasis on planning and insistence on leaving little to chance. The government, however, feels that this small country's best hope of making good is to concentrate its resources and, in a systematic manner, squeeze every useful drop out of them.

Prime Minister Lee Kuan Yew

THE FIRST SIGHT of Singapore for most visitors is its gleaming international airport, a massive complex clearly designed to service the needs of more than just a small city-state. Singapore's seaport — now the world's largest — has also gone beyond its initial vocation as an efficient transit point. Both underscore the country's determination to expand its role as a regional center.

put it this way at a national day speech in 1981: "You know," he said, "that Singapore has only one chance and that is to go up — tighter, more discipline, up the ladder. You unwind this, it's curtains for everybody." At a similar occasion in 1987, the prime minister delivered the same message: "Leave as little as possible to chance. That's the way my colleagues and I have run Singapore; that's the way I advise you to continue doing it."

It was in this spirit that Singapore's influential Economic Development Board (EDB) organized a

major conference last October to identify strategies for the 1990s that would help the country develop. Entitled "Global Strategies — The Singapore Partnership," the conference brought together 1,200 Singaporeans and foreigners to take part in a wide-ranging debate.

The Singapore government's own contribution to the proceedings gives a useful insight into Singaporean thinking about the future. It outlined seven "strategic thrusts" for the Singaporean economy.

First, the government stressed its commitment to help Singaporean companies diversify their activities into neighboring countries and to link these operations with those on the home base.

Secondly, the government is pledged to making Singapore a regional headquarters for globally oriented companies.

Thirdly, there is a desire for Singaporean companies to be more than merely involved in production. They are urged to develop a more rounded capability stretching from activities such as production engineering and product design to marketing, technical support and, ultimately, regional management.

"We want," says the government, illustrating its fourth objective, "to develop Singapore into a sophisticated city of the 1990s with standards and structures existing in the developed countries today." The key to this development will be the development of services, especially tradable services "which are inherently technology- and knowledge-intensive or which enhance the quality of life in Singapore." These include operational headquarters, medical services, computer services, education and training services and the whole range of leisure activities.

Fifthly, the government is keen to upgrade the performance of the small- and medium-size local enterprises that account for 31 percent of the value added in the economy yet employ 46 percent of its work force. They will be assisted in increasing their level of capital investment, de-

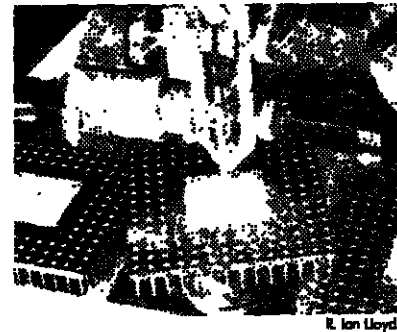
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Prime Minister Lee Kuan Yew (left). Singapore is now a base for sophisticated electronics manufacture (right).



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Economic Turnaround A Tough Act to Follow

According to the textbook, Singapore's current economic success is a surprise. Following an impressive turnaround, it is flourishing, and now the major question is whether or not it can sustain such a spectacular performance. Whatever the outcome, theorists are clearly learning to accept Singapore as the exception that proves the rule.

In early August, Singapore's government announced its revised estimates for economic growth, moving the figure upward by 1.5 points to give a healthy 7.5-8.5 percent projection for the year. At the same time, it was announced that over the first six months the growth in demand for exports had slowed dramatically to 11.5 percent in comparison with 27 percent the previous year.

Singapore's economy is highly dependent on external trade, yet the

Economic growth in 1988 was the highest in 15 years

slowdown does not seem to be hampering the healthy expansion of the economy. Nor is Singapore suffering from inflation, which so often accompanies rapid economic expansion. Inflation in the second quarter of 1989 fell to 1.5 percent from 2.8 percent in the first quarter of the year. The figures are all the more impressive when viewed in the light of two years of double digit growth, with the economy expanding by 10 percent in 1987 and 14.3 percent last year.

"Clearly that fast pace of expansion cannot be sustained for a third year without generating serious inflationary pressures," warned J.Y. Pillay, the influential managing director of the Monetary Authority of Singapore, in a speech to bankers in June. It seems that he was being overly cautious, because inflation is actually falling as growth inches up.

The watershed came in 1987 when Singapore bounced back from a worrying and seemingly crippling bout of recession. It was a problem the government tackled with vigor, some say with ruthless determination. Wages were held down, and in some cases cut, infrastructure investment was carefully fed into the system and a combination of stick and carrot coaxed the private sector back to life. Many observers still marvel at the speed with which the turnaround was achieved.

"We are doing well because we

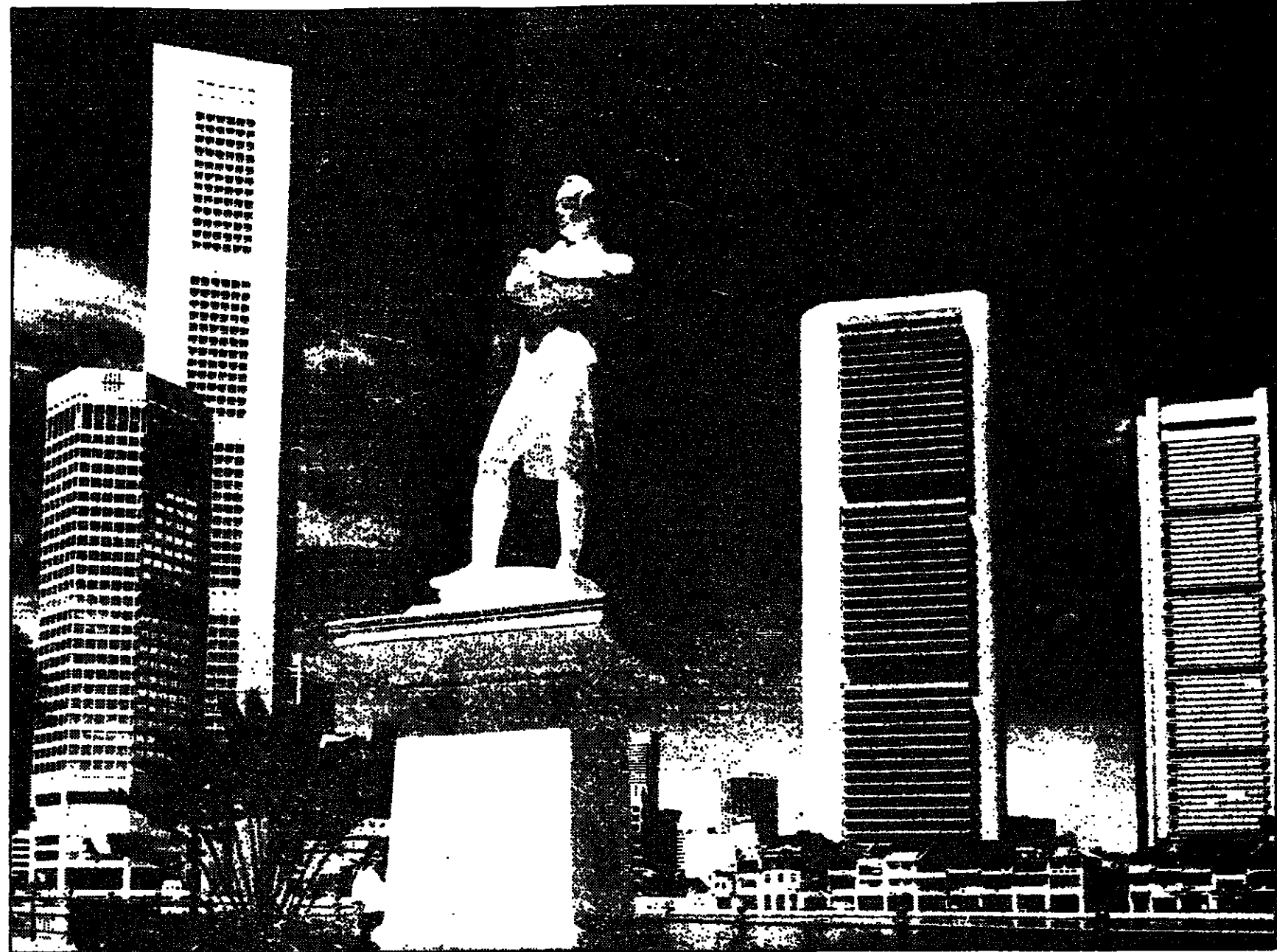
have got our act together," said Trade and Industry Minister Lee Hsien Loong when announcing the second quarter economic results. He said that Singapore had proved its competitiveness on world markets, but warned that the improvement could be frittered away if wage settlements ran out of control.

A United States Department of Labor survey conducted in March showed that the cost of hourly paid production workers in Singapore was broadly in line with those of its rivals in the other three "dragon" economies. The study showed Singapore's hourly costs to be US\$2.67, compared with Taiwan's US\$2.71, South Korea's more modest US\$2.46 and Hong Kong's US\$2.43.

Since its time under British rule, Singapore has moved from a trading center to a manufacturing base. From the early days of independence, the government (under the People's Action Party, which has been in power since 1959) has shown no inhibitions about admitting unlimited numbers of foreign investors who could help stimulate economic growth. The early inward investors were attracted by Singapore's low costs and adaptable work force.

Today labor is no longer cheap in Singapore, and the government's planners are less interested in attracting labor-intensive industries than in looking for knowledge-intensive industries with high levels of capital investment. The thrust is now directed toward the service sector, where value added is higher. Such developments clearly carry enormous potential for the country, as it is located in the heart of the booming Asia-Pacific region but occupies an area of 625.6 square kilometers (241.5 square miles) and contains a population of 2.6 million.

The shift away from manufacturing is reflected in the 1989 half-year economic survey. This shows that while the financial and business services sector grew by 13.3 percent,



A statue of Sir Stamford Raffles, who turned sleepy Singapore into a bustling trading center, on the spot where he landed in 1819.

the transport and communications sector was up 9.5 percent, commercial businesses grew by 8.9 percent and manufacturing by 8.6 percent. Only the construction sector was down, registering a fall in output of 4.3 percent.

Nevertheless, manufacturing remains the largest single sector in the economy, accounting for 25 percent of output. Commerce and finance come next, contributing around 15 percent. Taken as a whole, the service part of the economy accounts for over 56 percent of GDP.

Commenting on the development of the Singaporean economy at an investment seminar early this year, Nomura Research Institute chief in

Singapore, Dr. S. Teshiba, said that although the economy is changing direction to become more service oriented, it remains dependent on other sectors of the economy, particularly the manufacturing sector.

Dr. Teshiba said: "In the long run, Singapore will be forced to establish non-price competitiveness [in areas] such as research and development and very sophisticated products. The major Singapore products now are price-competitive goods. In other words, the volume of production is essential to maintain competitiveness. Considering the size of the labor force, the Singapore economy faces physical constraints to produce more."

Economic growth last year was the highest in 15 years, marking a spectacular turnaround from the previous year's recession, which was the worst in two decades. Per capita gross national product in 1988 was almost \$16,000 (US\$8,163). Unemployment stood at 3.3 percent. The balance of payments account showed a healthy surplus of \$3.3 billion and official reserves were in good shape at over \$33 billion.

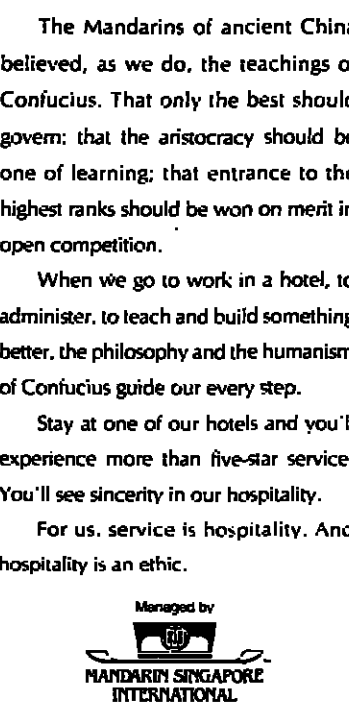
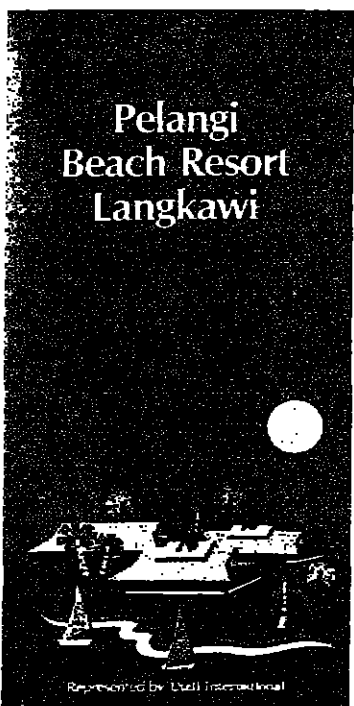
In August the United States Embassy in Singapore issued its own forecast for the economy. It concluded that "1988 would be a very hard act to follow." Although generally upbeat, the American econo-

mists warned that Singapore's problems of labor shortage could become acute in certain skill areas. They also felt that Singapore would have to "pay the price for its legacy of lack of investment in education relative to the other newly industrializing economies."

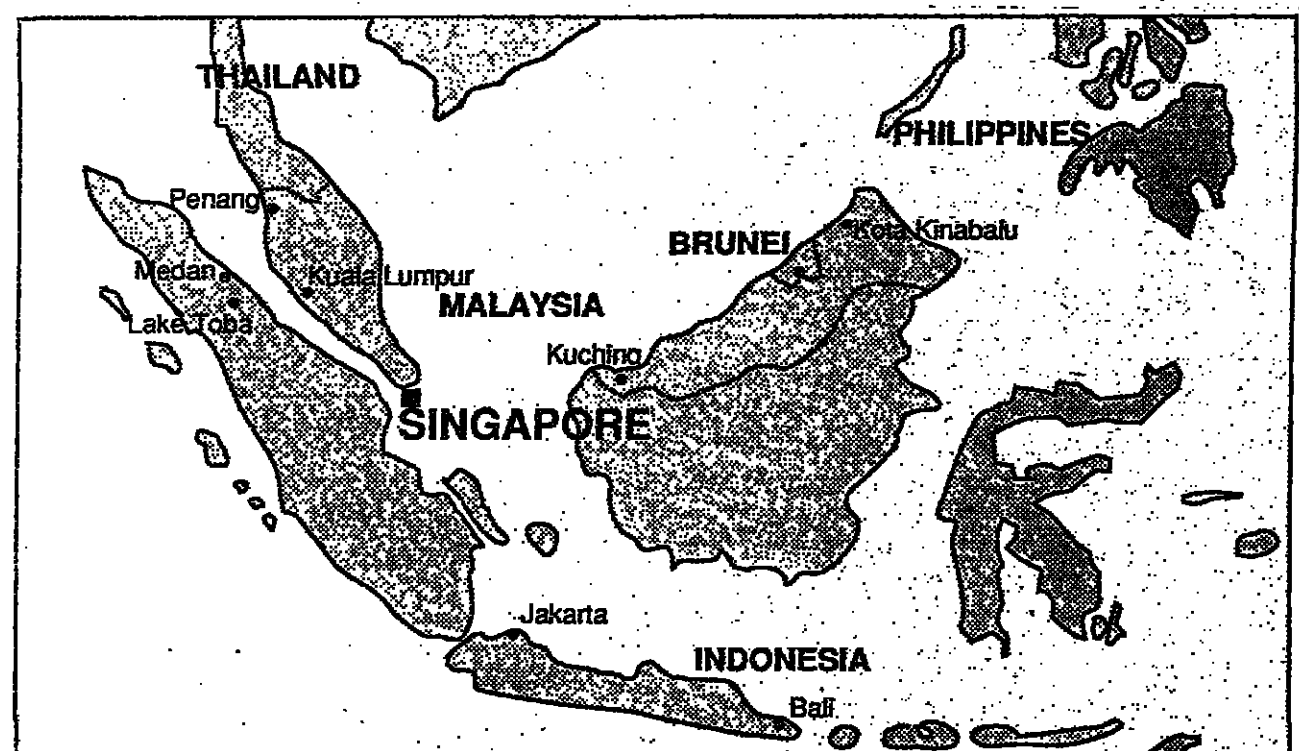
Overall, there is a palpable atmosphere of enthusiasm about Singapore's economic prospects. The concerns, such as they are, come from sources such as the American economists, who worry not about whether the economy will flourish, but more about the extent to which it can sustain such an impressive performance.

Stephen Vines

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City-State

Continued from Page 7

veloping new technology and enhancing employee training.

The government believes that "Singapore needs to focus on a few activities within each sector so that there are economies of scale and a better chance for that industry to grow in depth and sophistication." They call it "niching," and this is the government's sixth objective. It de-

clines to select the niches, saying instead that it wants to "create a favorable environment to allow niches to emerge and grow."

Finally, the government stresses its commitment to the improvement of the nation's technological capability. It believes that such a small country must make up for its lack of manpower with a basic research capability in selected areas.

Ever since the conference took place almost a year ago, the government has been working on ways to flesh out its objectives and create a

framework for realizing its goals.

It remains to be seen whether Singapore's ambitious aspirations will be knocked off course by an outbreak of protectionism from the Western countries that fear competition from the emerging Asia-Pacific region. On the other hand, and this is Singapore's objective, countries from outside the region can form a partnership with vigorous free traders like the Singaporeans and share in the prosperity to be derived from the development of the Pacific rim.

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ADVERTISING SECTION

ADVERTISING SECTION

Increased Activity in Stock And Futures Markets

Singapore's stock market suffered for years from its reputation as a sleepy place that, with its link to the Malaysian stock market, had little clear identity of its own. All that is changing now.

Singapore's stock exchange remains relatively small in comparison to the big-league markets and is still linked with Malaysia, but it is now the subject of careful study and increased activity by many international institutional investors.

Singapore's stock market is a magnet for much of the personal wealth held in the surrounding region. The new vigor of the market is reflected in the 26 percent increase registered in the exchange's Straits Times index over the first half of the year. This performance outpaces the 9.3 percent gain in the Tokyo market and is far better than New York's 12.5 percent increase.

James Bax, managing director of Baring Securities in Singapore, says, "Overseas institutions are buying Singapore almost as a proxy for regional growth." He points out that there are serious restrictions on foreign participation in the stock markets of other booming economies — South Korea, Taiwan and Thailand — while uncertainty still hangs over the Hong Kong market.

"Five or six years ago," Mr. Bax says, "only Hong Kong and British institutions were interested in Singapore; now everybody wants a piece of the action." Simon Woods, director of the joint venture British-Singaporean Brokerage BZW-Pacific Union, estimates that some 40 percent of the activity in the market is attributable to foreign players, whereas in the 1986-87 bull run, foreigners were responsible for around 70 percent of turnover.

Mr. Woods thinks that although British institutions remain the biggest overseas players, Americans are coming up fast. The big question is whether the Japanese will enter the market in strength. Japanese companies are big direct investors in Singapore but have remained cautious about the stock market, fearing that their entry would provoke unrealistic price rises.

A combination of interest in the earnings potential of the Singapore market and the introduction of a computer trading system in April has pushed the volume of business



The stock exchange has reached record volume levels since April.

to record levels. Before the computer system came in, the single-day turnover record was notched up on July 10, 1987 of 85 million deals.

Since April, 100 million deals per day are the average, with a record of 183 million on April 17.

However, as Mr. Woods points out, the Singapore market is not realizing its full potential. There are not enough companies listed and not enough shares on issue from the companies that have gone public. This problem is acknowledged by

Lim Choo Peng, the president of the stock exchange, who says he is hoping for some more privatization issues — telecommunications is frequently mentioned as a candidate for the private sector — and he predicts expanding local companies will show an interest in securing a listing.

Mr. Lim stresses that the doors of the exchange are open to overseas companies — particularly those in the region — who would like to secure a Singapore listing. He be-

lieves that companies involved in the manufacture of consumer goods might be particularly interested in coming to the market as a means of raising their profile in Singapore.

Malaysian and Singaporean exchanges, previously combined, were split in 1973 but retained listings of each other's shares on the respective exchanges. More recently, new Malaysian issues, such as the Malaysian Airlines system, have not been listed in Singapore. Malaysian companies account for 63 percent of the Singapore exchange's capitalization, but there is a greater volume of trading in Singaporean shares, according to Mr. Lim.

Even if the Malaysian companies are delisted from the Singapore exchange, it seems more than likely that they will continue being traded across the causeway.

The stock exchange has taken a major step toward internationalization by giving foreign broking houses the right to hold trading seats on the exchange. Nine of the 26 seats on the exchange have been allocated to foreign brokers who have entered partnerships with local companies, all but one with the maximum allowable 49 percent stake in the merged companies. Mr. Lim says the limit on foreign ownership will be raised to 70 percent in three years, and "by implication it will eventually go up to 100 percent."

"I think we're seen as a necessary evil," says one foreign broker who

believes that overseas companies are tolerated because they bring new business to the market, but remain resented because of their greater financial muscle and consequent ability to ride out the lean times with relative ease.

All analysts remain confident about the market and think it has far from peaked. Most predict a growth in earnings of around 30 percent during the year, making many stocks look relatively cheap.

In February 1987 the stock exchange launched a secondary market for growth stocks, the Stock Exchange of Singapore Dealing and Automated Quotation System (SESDAQ). Hit by the tremors of the October 1987 stock market crash, SESDAQ has yet to realize its full potential.

Only 14 companies are listed so far, but Mr. Lim is confident that more will join. He says that the pioneer companies are high quality, which will attract other participants. His view is shared by BZW's Simon Woods, who says that "in time, SESDAQ will become more successful. It needs 25 to 30 companies to really get going."

Another rapidly growing market is the Singapore International Monetary Exchange (SIMEX), a futures market established in December 1984. Business is expanding by leaps and bounds. The average daily volume of contracts exchanged last year shot up to 28,600.

S.V.

Regulation Defended by Banking and Finance Sector

Karlheinz Albrecht, executive director of the Asia-Pacific regional office of the Deutsche Bank, clearly feels that his bank chose the right site back in 1987.

Singapore won the day because "it was in the center of our network," says Mr. Albrecht, "it's an English-speaking country, very stable, and has well-educated and experienced bank staff." This must be music to the ears of the government, which believes that it can transform Singapore into the region's leading financial center.

Alongside the growing stock and futures exchanges, a small clutch of international money brokers (eight in total) and a fast-expanding insurance sector with just over one hundred companies, Singapore already has a well-established banking sector.

Foreign banks with full licenses outnumber local banks by 22 to 13. There are a further 14 foreign banks

Some overseas institutions have expressed doubts about Singapore's ability to play a major role as an international financial center because of its reputation for tight regulation. These reservations are dismissed by a Monetary Authority of Singapore (MAS) official who says, "There has to be a fine balance to develop a sound system, but not one which stifles financial operations."

with restricted licenses and, overshadowing all categories, 87 offshore banks. In addition, 65 banks provide merchant banking services and a further 30 act as finance companies.

An official from the watchdog MAS says that Singapore's central location in the Asia-Pacific region makes the aspirations of creating a regional financial center quite realistic. He says that what has already been achieved in the banking sector will, within five to ten years, be

repeated with the creation of a risk fund management center. He notes that the MAS has received an increasing number of enquiries about relocation from companies based in Hong Kong.

Robert Tomlin, managing director of Singapore International Merchant Bankers says that Singapore "can't replace Hong Kong as a gateway to China, but it can have a bigger role in this area among the ASEAN (Association of South East Asian Nations) countries."

He notes that Singapore is already proving to be a good center for raising funds in U.S. dollars. "It's better than Hong Kong," he says, "because Singapore is not regarded as a tax haven. There is a perception of Singapore as a bona fide tax jurisdiction, which is very relevant in places like Australia and Japan."

Offshore business accounts for more than three-quarters of merchant bank operations. The US\$281 billion Asian Dollar market has been particularly active. Still expanding, last year it grew by 15 percent compared with an average 24 percent in the previous three years. Results for the first half of this year show a sustained growth rate averaging 14 percent.

Meanwhile, there has been a boom in foreign exchange trading, with daily volumes running at around US\$63 billion, up from a daily average of US\$42.8 billion last

year and US\$32.3 billion in 1987.

The government does not encourage the participation of foreign banks in the smaller and more crowded area of Singapore retail banking and resists the use of the local currency for financing overseas business. The regulatory authorities would not like to see the Singapore dollar becoming a reserve currency because they fear this would subject the country's relatively small economy to undue pressures.

However, there is official encouragement for overseas institution: get involved in the government securities market. This initially suffered serious teething troubles due to its poor structure, but a series of reforms introduced two years ago boosted turnover in government securities from a daily average of \$9 million to \$450 million last year.

Foreign banks have a 60 percent share of the market for Singapore dollar loans, while local banks have a 60 percent share of local deposits. "This is a very competitive market," says Chong Kie Cheong, the senior

vice president of the Development Bank of Singapore (DBS), the largest local bank.

Despite these pressures, the local banks' interim financial results for this year reveal a very healthy increase in profits. DBS, for example, registered an increase of 30.9 percent to S\$112.9 million (US\$57.6 million), while the Overseas Chinese Banking Corp. turned in an interim profit increase of 37.2 percent to S\$90.8 million. The financial and business service sector is now the biggest growth area in the Singaporean economy. In the second quarter of this year it registered a growth rate of 13.3 percent.

The Singapore government is also offering substantial incentives to draw in fund management specialists. Non-residents are exempted from income tax on the profits of funds given government approval, and there is a concessionary tax of 10 percent on management fees earned by approved fund managers, instead of the standard 33 percent profits tax.

S.V.

SINGAPORE THE TOTAL INTERNATIONAL TRADE CENTER

Organisations are beginning to think global and realise that crossing national boundaries is one of the best ways to consolidate home operations. At the same time they need to find a market niche overseas to nurture and sustain their business further.

National trade development bodies are gearing up efforts and devising new export initiatives based on the new awareness that a global outlook is more important for the long-term success of their companies.

Singapore, a thriving island metropolis at the crossroads of international trade routes, is in the heart of a resource-rich region with a potential market of 270 million people.

More than 500 international companies have set up manufacturing and technical support services on the island. Increasingly, companies are using Singapore as a regional marketing and distribution base. The government encourages companies to establish their operational headquarters in Singapore and undertake a full range of business activities here, including the management of subsidiaries, of group finance, product design and development work.

With a comparative advantage in services, Singapore is in an excellent position to benefit from the worldwide shift towards greater trade in services because of its strategic location. Singapore has emerged as one of the world's centres of financial services, transportation and communications and business services.

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On February 22nd this year, trading began in a new SIMEX Contract for High Sulphur Fuel Oil (HSFO) futures—again the first of its kind in Asia. Although newly launched, the contract has been trading at an average of over 5,000 lots per day.

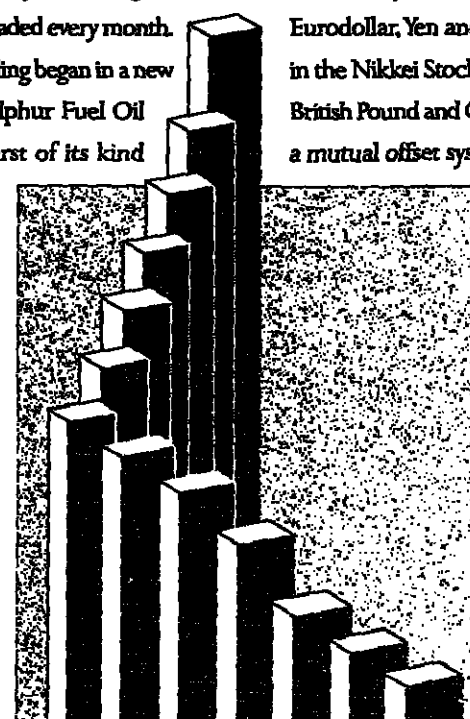
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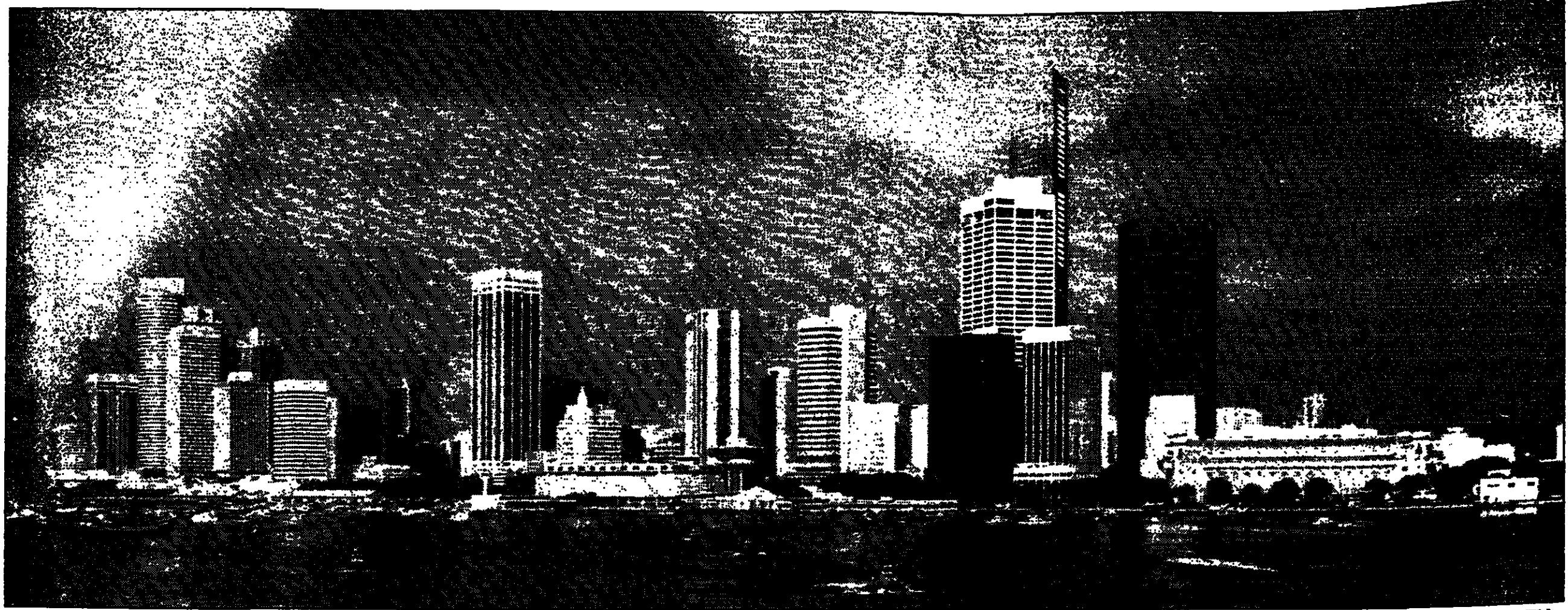
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The Singapore skyline, with the financial district in the background. The republic is now recognized for its growing service economy, offering everything from shipping to sophisticated computer services.

Singapore has gone through many changes since Raffles' dream became a reality before his death in 1827. By the time Singapore became an independent republic in 1965, it, like its arch-rival Hong Kong up on the China coast, had evolved into a labor-intensive manufacturing center.

A decade later, as labor started to become more expensive and the level of education rose, high-value manufactured goods were emerging as the economy of choice. Now, 170 years after Raffles' visit, Singapore is once again being recognized for its growing service economy, offering everything from traditional shipping services to sophisticated computer software.

In the first quarter of 1989, the service sector—including transportation, communications and business services—amounted to S\$8.839 billion (US\$4.5 billion), almost 73 percent of the country's gross domestic product of S\$12.152 billion. That figure represents an increase over last year, when services made up about 70.5 percent of the gross domestic product. Commerce was the fastest-growing part of the service sector last year, jump-

Services Now Fastest Growing Economic Sector

ing 16.9 percent, while the transportation and communications sector was up 10.2 percent and financial and business services grew by 8.6 percent.

So far this year, financial and business services, buttressed by increasing Singapore-based activities by the international banking fraternity, have become the leaders in the service sector, growing 12.3 percent in the first quarter.

"For a small country like Singapore, our future in general depends on expanding our service sector," says Lim Kim Kuay, director of the Singapore Trade Development Board.

The government has contributed to this development. In 1986, a special Economic Committee comprising private and public sector representatives headed by Trade and Industry Minister Brigadier-General Lee Hsien Loong, identified services that could be sold overseas as one of Singapore's major pillars of growth.

A special Service Promotion Di-

vision was set up that same year to help promote and develop the service sector. In 1987, total business spending on service projects hit S\$200 million. Last year, the figure was S\$260 million. Fixed asset investment in the service sector, another important economic indicator, showed even faster growth, jumping from S\$300 million in 1987 to S\$575 million last year.

The government has also been encouraging the high-tech service industry by supporting development of computer software companies. Specialized business parks

aimed at such firms have been springing up around the island republic. Singapore's service industries have become sophisticated enough that some of that service know-how is being exported to other countries in the region. Between 1974 and 1981, a team of specialists from the Port Authority of Singapore was in the South Pacific atoll nation of Fiji to help that country develop its own port facilities.

Exhibition management firms, meanwhile, have been growing rapidly and now put on trade shows not only in Singapore but also

throughout the region. Singapore's shift to service economics is not without its problems, however. Like most other industries in the country, the service sector is faced with a serious labor shortage.

Business International, an economic research firm, found that Singapore's hotels, department stores and supermarkets are understaffed by about 1,300 workers. And with virtually full employment, filling those vacancies will not be easy. The city-state's business community is hoping at least part of that labor shortfall will be filled by immigrants from Hong Kong. In July, Singapore announced a relaxed immigration policy clearly aimed at Hong Kong residents fearful of the impending takeover of Hong Kong by the People's Republic of China in 1997.

In addition to less strict entry qualifications, Hong Kong residents are being allowed to delay their move to Singapore for as long as five years after being accepted for residence in the country. As many

as 100,000 Hong Kong residents are expected to make the move south over the next few years.

This policy has been widely welcomed by Singapore's service sector. In a recent survey, Business International found that bankers particularly welcome the plan because it could mean an influx of needed professionals with experience in financial products.

Hong Kong's troubles could have one other important spinoff benefit for Singapore. Multinational corporations that have favored Hong Kong as their regional administrative headquarters may find Singapore a more attractive base because of its relatively greater political stability. The move from Hong Kong to Singapore may start to take shape long before 1997, some experts believe, because of Singapore's cheaper property prices and lower inflation rate.

"Singapore has a lot of advantages over most of the major cities in the region," said one economic analyst. "A lot of companies will be looking very closely at Singapore in the near future, and I think we'll see many more changing their regional base."

John Keating.

New Expo Promotes Export Services

Export Services International '89, which runs from October 18 to 21, marks a new departure for Singapore and for Asia as a whole. In the future the show will be held every two years, with a gradually widening scope.

This year there will be some 75 exhibitors, including the Cairns Port Authority from Australia, Deutsche Bank, the American credit rating agency Dun & Bradstreet, Japanese shippers Nippon Express, Reuters news agency and financial information service, and Hongkong Bank.

Despite the impressive track record of Singapore exporters, Director Lim Kim Kuay of the Singapore Trade Development Board (TDB) says, "Many of them need to know more about export services." To that end, TDB is staging a special exhibition at Singapore's World Trade Centre.

Countries as diverse as Hungary, India, Indonesia, Israel and the Scandinavian states will be mounting displays. Singapore itself will be well represented by a number of private companies and

experts, who will be speaking about strategies for market entry.

The conference, to be held on October 19 and 20, covers a wide range of topics related to successful exporting strategies and will examine a number of slightly unconventional exporting techniques such as barter and buy-backs.

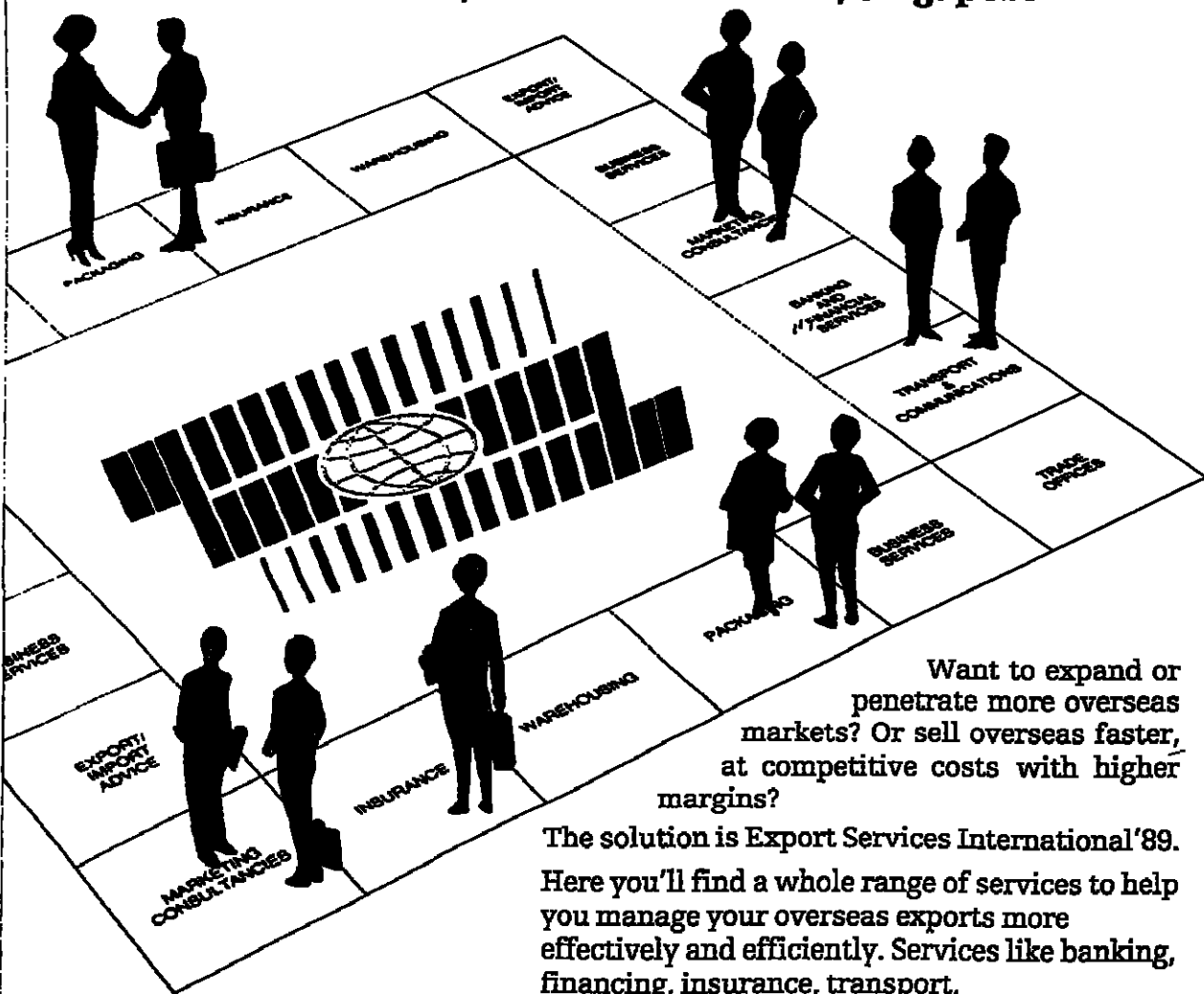
"Singapore," says Mr. Lim, "is one of the few places in the world where goods can move freely in and out." He says that Singapore's international trade is three times greater than its gross domestic product. "We want to be a global city, a center of international business," he stresses, not just in products but in services that facilitate business.

The aim of the exhibition and conference is to stress Singapore's determination to play an expanding role in world trade and provide practical information about the full range of services available, particularly for smaller businesses. S.V.

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ADVERTISING SECTION

Tourism is serious business — 4.6 million travelers are expected to visit the island republic this year. On any given day, the visitors on Singapore's Orchard Rd. tourist strip can easily outnumber the residents — Singapore's population is only 2.6 million.

Most visitors arrive by plane and are immediately impressed by the airport's efficiency. "There's no magic," says Ng Wee Hiong, deputy director-general of the Civil Aviation Authority of Singapore (CAAS), which operates Changi. "There's just working hard on the basics." Service at the airport, which last year handled some 12.6 million passengers, has consistently been rated among the best in the world.

In 1987, a survey by the Geneva-based International Federation of Airline Passenger Associations rated Singapore a close second as best airport. And last year, readers of the British-based travel magazine *Business Traveller* said Changi was the number-one airport in the world.

The airport is popular in more than just surveys. Last year passenger traffic jumped more than 14 percent. In the first half of this year alone, that figure has climbed another 12.5 percent. If the load is beginning to strain airport facilities, that will not be a problem for long. A second terminal due for completion by late next year will double capacity to 20 million passengers a year. "We aspire to be the hub airport of the region," says Mr. Ng. "We want to get passengers connecting here." The new \$3650 million (US\$332 million) terminal will go a long way to making these ambitions a reality.

Aggressive marketing abroad by CAAS has attracted more than 50 airlines to use Singapore as a destination, more than at major Asian centers such as Bangkok, Tokyo and Hong Kong. Singapore's policy of attracting new airlines is so successful that British-based Virgin Airlines was able to negotiate landing rights in Singapore even before they were granted in the United Kingdom.

"There's no open sky policy anywhere, but we seek liberal exchanges," Mr. Ng says. "We see our role as supporting the rest of Singapore in business and tourism." The airport's boom is beginning to be felt by the hotel industry, with an occupancy rate for Singapore's 24,669 hotel rooms of over 81 percent this year.

Just a few years ago, an abrupt slowdown in the then overheated Singapore economy and a drop in business travel left Singapore with a glut of hotel rooms. The Westin

Infrastructure Designed With Tourists in Mind

From the moment you land at Changi Airport, your luggage begins a race against the clock. They have a rule at this eight-year-old airport: the first bag should be off the plane and onto the luggage carousel within 12 minutes of touching down. The last one should be on its way 13 minutes later. Welcome to Singapore.

Stamford, which at 73 stories is the world's tallest hotel, opened in 1986, and hotel managers throughout Singapore worried about simply filling enough rooms to break even. All that has changed. From a

record low occupancy of 64.7 percent in 1986, Singapore's 68 hotels are now 81.3 percent full. No additional rooms are expected to be built until 1991, when four new hotels will open. Of course, what's

good news for innkeepers can be bad news for guests. As occupancies have increased, so have room rates. Average rates for a double room hit \$8120.50 in May, compared with \$399.30 last year, and

most hotels plan further increases. But that doesn't mean unreasonable rates, insists Emile Thai, director of marketing for Mandarin Singapore International Hotels Pte. Ltd., which operates two upmarket

hotels in the republic. "The increase is from a low base," Mr. Thai points out. "What we were charging before were survival rates." He adds that rates in Singapore are still half those charged in Europe, yet the quality of accommodations matches or exceeds international standards.

Having an efficient airport and high-quality hotel rooms is of little use if there is nothing for visitors to do. Making sure they keep busy is the job of Lim Chin Beng, deputy chairman of Singapore Airlines. Mr. Lim is also chairman of the Singapore Tourist Promotion Board, and in that position he is presiding over a record tourism boom.

The number of visitors to Singapore broke the four million mark for the first time last year, and Mr. Lim predicts five million arrivals next year.

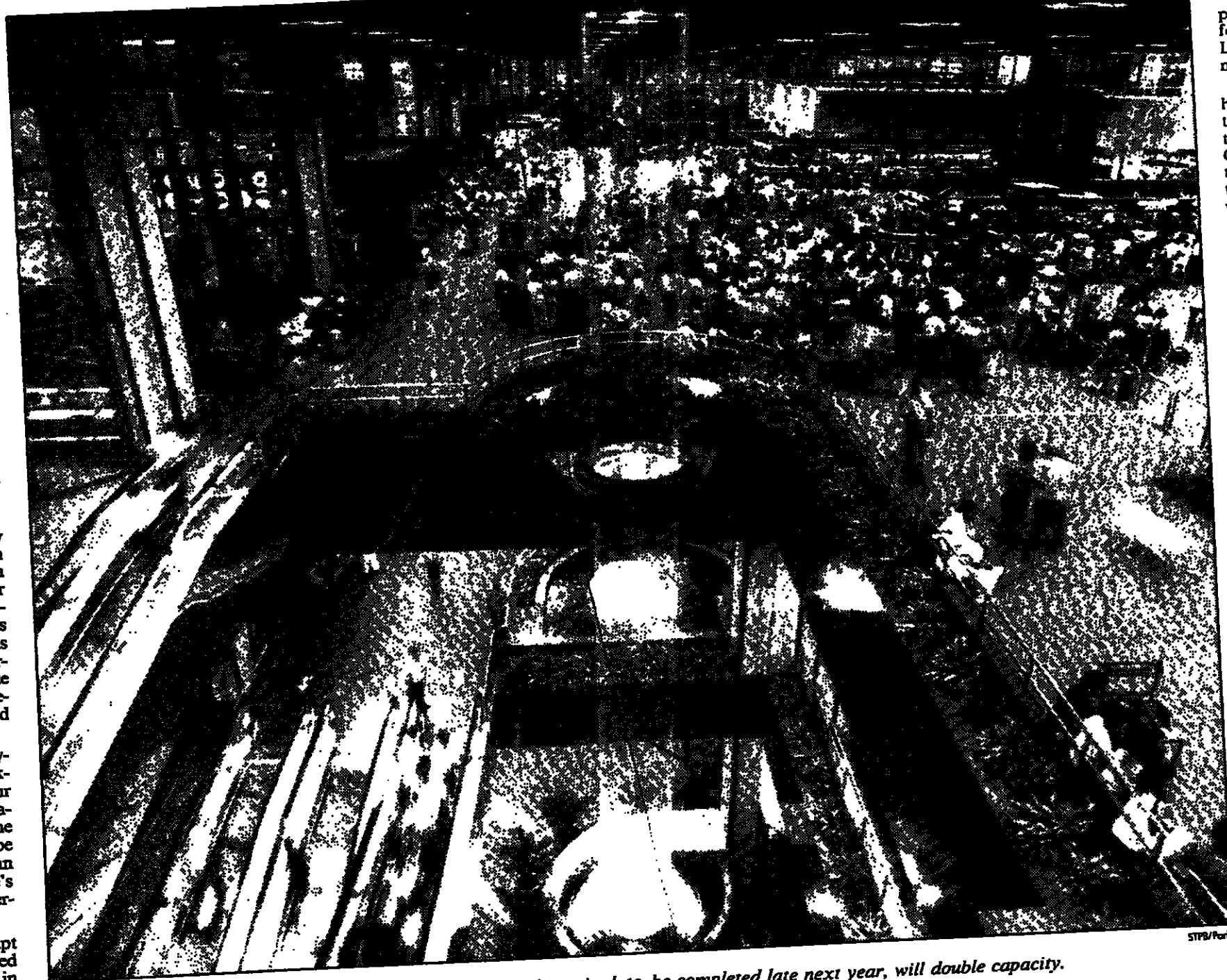
Achieving those kinds of figures has in the past meant struggles with the same government that created the tourist board, Mr. Lim says. Officials had to be convinced that the historic sections of Singapore they were bent on redeveloping were the very sights that many tourists came to see.

The result has been a new boom in preservation projects and multi-million-dollar restorations, but Mr. Lim is already looking to other projects to draw more travelers. The tourist board is hatching plans to build tropical beaches on a group of four islands 20 minutes south of downtown, and further vacation playgrounds are planned for the largely undeveloped shores of Singapore's east side.

Business travelers haven't been forgotten. The Union des Associations Internationales is so impressed with Singapore's modern facilities that it has named the republic Asia's top convention city for six consecutive years. But even more effort is needed to keep business travelers happy, Mr. Lim points out.

"There's no doubt we lack a proper convention and exhibition hall," he says. That gap will be filled by a new complex soon to be constructed not far from the Orchard Road strip. The center, which will be built by Hong Kong's Suntec group, is scheduled for completion in 1993.

There is much more that makes visiting Singapore easy: a telephone system that works; a new subway system; a network of five expressways linking all the major areas of the country. It all adds up to a place that takes travelers seriously. As the Mandarin Hotel's Emile Thai puts it, "In Singapore, everything ticks." J.K.



The busy departure hall at Changi Airport, where a second terminal, to be completed late next year, will double capacity.



SINGAPORE CHANGI AIRPORT.



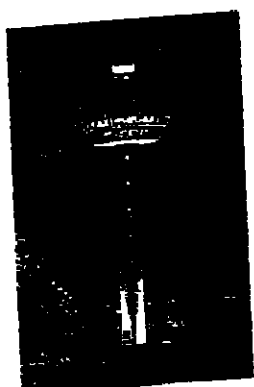
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ADVERTISING SECTION

ADVERTISING SECTION

Property Boom Set to Continue

Singapore's booming property market is poised for an exciting new "development cycle," with major projects planned in all sectors and nearly 900,000 square meters (roughly 10 million square feet) of new commercial space to be available by 1994.

This real estate "elbow room" is vital, not just to the industry's development, but also to the city's overriding economic strategy. As Edmund N.S. Tie, managing director of Jones Lang Wootton, puts it: "The policy is to maintain competitive costs in Singapore." And that means maintaining the city's edge as an attractive Asian investment center by

"Stabilized growth" is the country's goal

avoiding the speculative cost and rental spirals that have triggered investment jitters in Singapore's key regional competitor, Hong Kong.

Even with the striking recovery Singapore's property market has made since the slump of 1983-85 — highlighted by a 20 to 25 percent hike in prime office rentals alone since the beginning of this year — that competitive edge has remained. According to Mr. Tie's estimates, top-of-the-market rentals in Singapore are still about US\$30 per square meter below those in Hong Kong and, unless the Hong Kong property market's present 20 percent dropoff is driven into a real nosedive by the China issue, they should continue to trail Hong Kong in the foreseeable future.

"We don't normally experience the peaks and troughs of the Hong Kong property market — we've seen gradual recovery and growth here since 1985," says Mr. Tie. "And we're not facing a speculative situation. The estimated 864,000 square meters of office accommodation becoming available in 1992-93

means there will be no severe shortage. And while there will still be potential for rental growth, I doubt that we will see any big increase in rents."

What all this translates into, says Mr. Tie, is "stabilized growth," the general economic profile that Singapore is projecting as a solid investment base in a markedly volatile region. To paraphrase a recent statement by Graham Hayward, director of the International Chamber of Commerce, Singapore now needs to "catch its breath" after the huge redevelopment program that has been going on this decade. This applies not only to office development but also to the hotel, retail, residential and industrial sectors of the property market.

While Mr. Tie describes the market as being on the threshold of the "next development cycle," with projects like the proposed US\$600 million Hong Kong-backed International Convention and Exhibition Centre heading up new building activity, his company's Asian Property 1989 review warns developers to "take stock of the implications on future supply and demand, so as to ensure the continuing healthy growth of the property market."

The implications have certainly been recognized in the hotel sector. With 68 hotels and more than 24,600 rooms now in operation, and the average occupancy rate at a lucrative 80 percent, only 1,057 new rooms are expected to be available by 1991 and another 3,720 by 1993. This will ease what Mr. Tie calls a "tight market situation" and will avoid the risk of another dam-

aging hotel glut. In the meantime, Mr. Tie says: "Hoteliers are beginning to feverishly embark on refurbishment/ upgrading and extension programs."

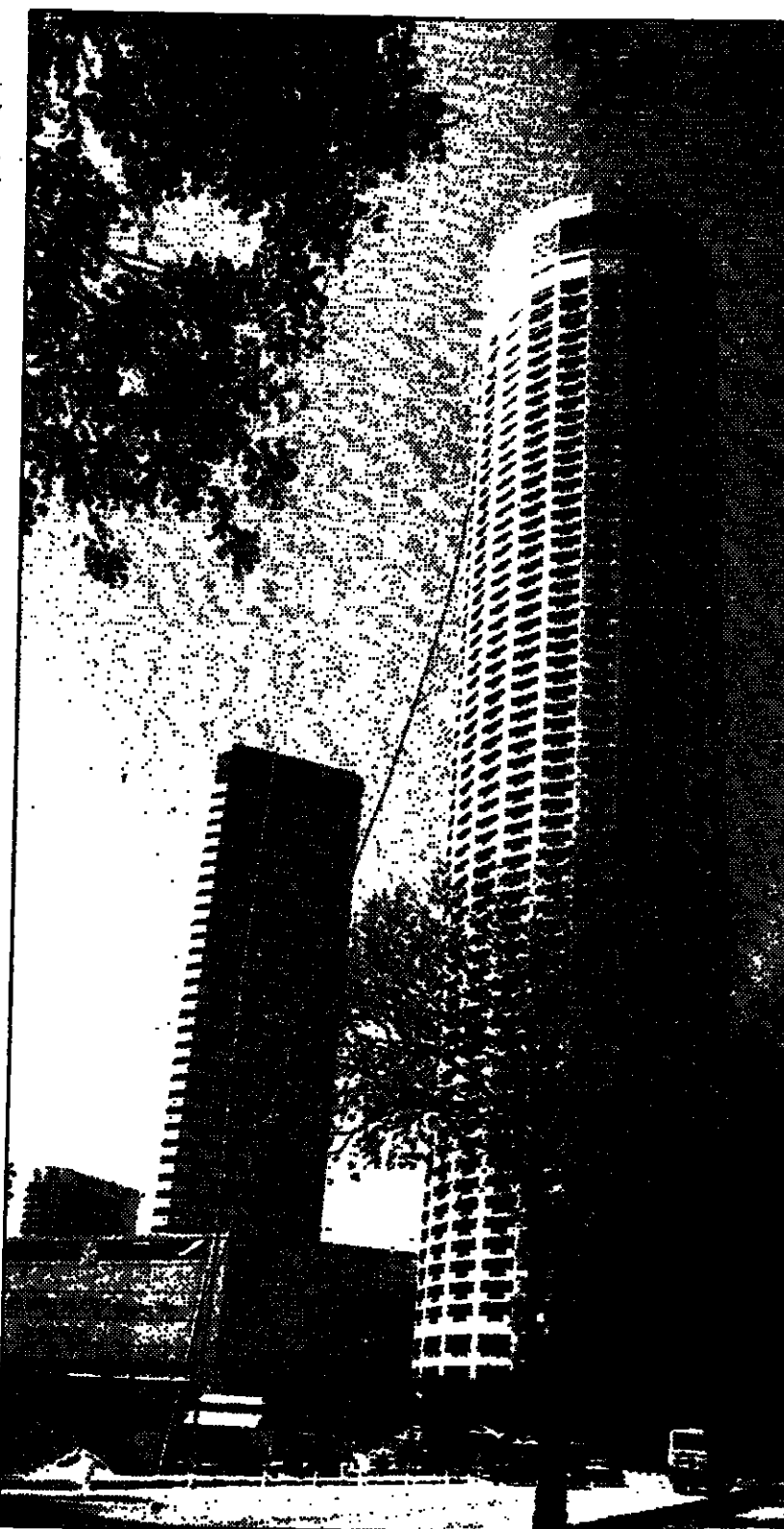
On the retail side, developers are being urged to hustle several major projects along, which would put an initial 100,000 square meters of retail space into the market by 1991. Again, this is enough to ease the current tight supply but at the same time sustain the market's buoyancy, propped up by high-spending Japanese tourists.

As for residential property, prices of apartments and condominium units rose by between 25 and 40 percent from mid-1988 to mid-1989, creating what Mr. Tie calls a "positive outlook" for 1989. He expects that outlook to continue.

Mr. Tie sees a likely 8 to 9 percent economic growth rate for Singapore this year, possibly two points above the government's estimate. He also predicts a sustained and "stable" prime interest rate of 5.5 percent with "continued 100 percent financing at attractive rates" and a surge of apartment and condominium investment from Singapore's economic rival, Hong Kong, as the colony draws closer to its return to China in 1997.

Barring any serious downturn in the U.S. economy, which would rebound on the city's exports, Mr. Tie feels the property market generally will remain bullish for the next 12 to 24 months and is "likely to attract local and foreign investors, the latter mainly from Hong Kong, Japan, Taiwan and Southeast Asia."

Derek Maitland



Raffles City (left) and the Westin Stamford Hotel.

Export Services Key to Success

The Port of Singapore's statistics are impressive: every nine minutes, a cargo vessel arrives or departs. Some 600 ships from virtually every maritime nation pass through these facilities. And last year, a record 396.4 million gross registered tons of cargo were handled, the largest tonnage in the world.

Singapore is a free trade zone, and goods can be stored with no time restrictions. Cargo can be repacked and stored without any duty payment before re-export. And transshipment cargoes are exempt from customs duties. In January, at the Asian Freight Industry Awards, the port was once again named Best Seaport in Asia and Best Seaport Terminal Operator.

Tanjong Pagar Terminal, Singapore's main deep water port, is experiencing record-setting growth. Last year volume jumped 28 percent, with the terminal handling the equivalent of 3.38 million standard 20-foot container boxes, making Singapore a close second after Hong Kong as the world's busiest container port. Volume at the port has been so high that over the next 10 years, Singapore will spend S\$1.5 billion (US\$765 million) to upgrade Tanjong Pagar and develop Brani Terminal on an adjacent island. The new terminal will more than double container-handling capacity.

Shipping documentation is being sped up since the Port of Singapore Authority plugged into the national electronic data interchange network TradeNet early this year. TradeNet allows traders to send just one trade document electronically to a main computer for processing by the government departments.

"Eventually all authorities will be hooked in," says Lim Kim Kuay, director of the Trade Development Board (TDB), developer of TradeNet and organizer of the Export Services International '89 exhibition.

Singapore is also becoming the first port in the world to use a computerized "expert system" to plan loading and unloading of container ships, berth allocation and container arrangement in the storage yard. Computers are also important in Changi Airport's air cargo handling operations. Last year, the airport handled 512,000 metric tons of cargo, an increase of 22.3 percent over the previous year. In the first half of this year, cargo throughput was 274,000 metric tons, a 13.7 percent increase over the same period last year.

Changi's cargo handling is taken care of by two companies: Singapore Airport Terminal Services (SATS), owned by Singapore Airlines, and Changi International Airport Services, a joint venture of the Port of Singapore Authority and six foreign airlines. The cargo handlers are investing heavily to keep ahead of the growth in air cargo traffic. Earlier this year, SATS opened two new air freight terminals at a cost of S\$49 million. In March, Lim Chin Beng, deputy chairman of Singapore Airlines, said a study was already in progress for a fifth cargo terminal to cost S\$70 million.

Once the cargo gets to Singapore, there is no shortage of companies willing to truck it and store it. About 700 freight forwarders operate in Singapore, and more than two million square meters (21.5 million square feet) of covered and open warehouse space is available.

But the large choice of freight forwarders also has its drawbacks, according to Mary Lim Ormiston, of the Singapore Freight Forwarders Association. Ms. Ormiston says that no qualifications are needed to go into business as a freight forwarder, increasing the risk that some operators will act irresponsibly.

On the positive side, Singapore Airlines' Mr. Lim says, Singapore freight forwarders are beginning to put an increased emphasis on customer service and use of computers to better track cargo movement. Other services include 48 local banks, 85 offshore banks, 63 merchant banks and 116 insurance companies.

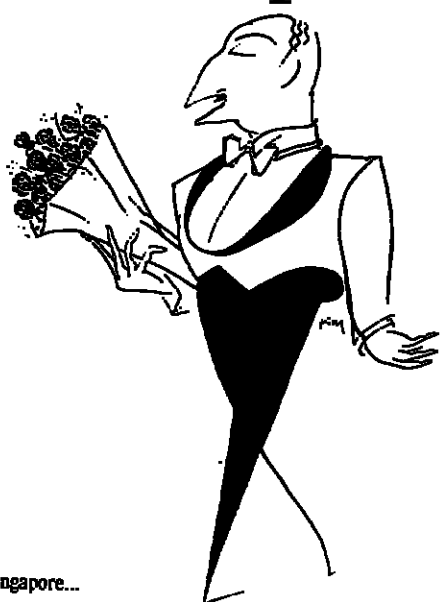
Over the past five years, Singapore Telecom has spent more than US\$1 billion in communication infrastructure. Singapore has the world's first totally push-button domestic telephone network, the highest density of public payphones in Asia, and the first digital international telephone exchange in Southeast Asia. Over the next five years, Singapore Telecom plans to invest US\$67 million to develop a fully computer controlled electronic telephone exchange.

But Singapore does not rely only on its infrastructure to draw shipping business. The TDB will customize a program of support and incentives for any foreign company interested in using Singapore as a regional distribution center. As Mr. Lim of the TDB says, "For a small country like Singapore, our future is geared to our success in exports and services."

J.K.

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ADVERTISING SECTION

Transport Sector Gears Up For Boom

The region's phenomenal economic and trading development has pitted Singapore against Hong Kong as one of the area's two main shipping conduits. The growth of the regional travel industry, now expanding at twice the world average, and Singapore's own 14 percent increase in tourism arrivals last year have begun straining the city's travel services. And a whole new opportunity has opened up — a revival of the Pacific cruise industry.

The record 12.6 million airline passengers who passed through Singapore's Changi Airport last year and the 39,500 commercial flights that went in and out marked a 55 percent hike in passenger traffic since the airport opened in 1981, underscoring the urgency of the Civil Aviation Authority's move to double the airport's capacity by 1992.

A new passenger terminal, Terminal 2, is being built to boost the airport's handling capacity to 20 million passengers a year, making it the busiest in the Asia-Pacific region. The authority estimates that traffic will have increased to around 18 million passengers annually by 1995, with aircraft movements rising to 112,000 a year.

Inter-terminal baggage transfers at Terminal 2 will be carried out by

Singapore is about to upgrade its position as a major crossroads of the Asia-Pacific region with development projects in air, sea and freight transportation.

computerized vehicles running on an underground network of tracks, and the "Changi Skytrain," an automated high-speed passenger transit system, will shuttle passengers between the terminals.

Air services are also growing: Singapore Airlines (SIA), the region's biggest and most sophisticated national carrier, now has its first long-haul Boeing 747-400s flying under its global Megatop service, has 11 more on firm order and options for another six, and plans to replace its entire 747 fleet with the new jumbo.

Meanwhile, SIA has launched a new subsidiary airline, Tradewinds, equipped with McDonnell Douglas MD-87s and providing budget air travel to secondary "gateway" destinations in the Southeast Asia region. Tradewinds is currently running up to seven flights a week to such places as Phuket, Pattaya and

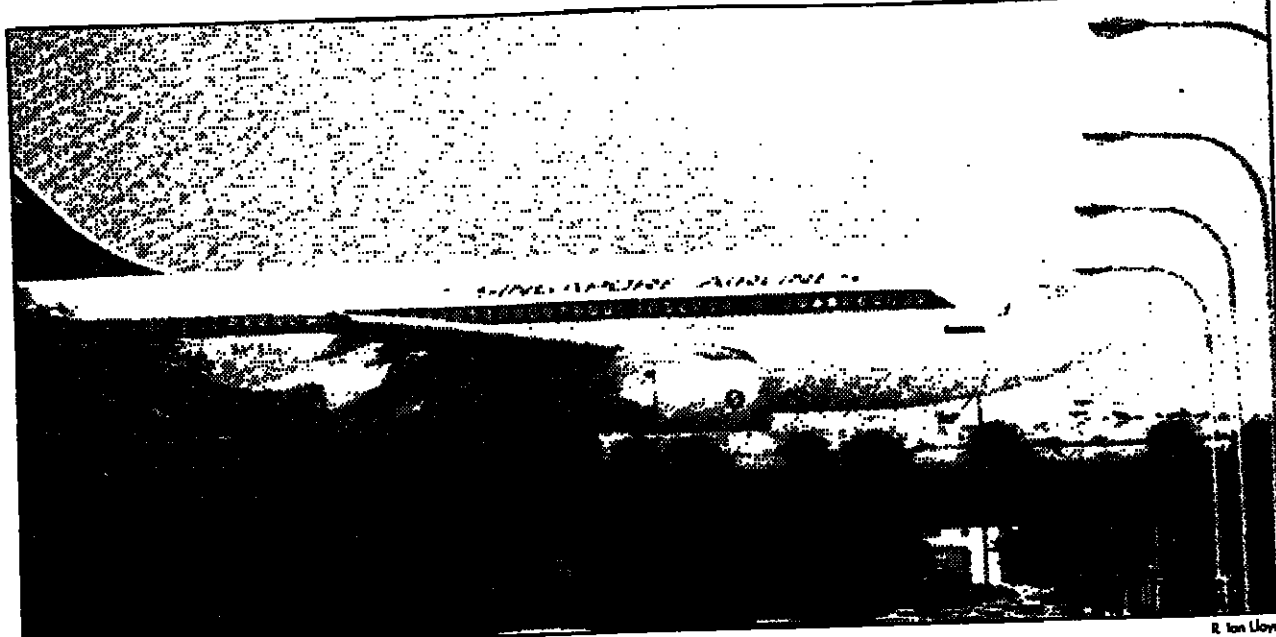
Haadai in Thailand, Medan in Indonesia and Kuantan in Malaysia and plans for service to Thailand's northern city, Chiang Mai, the Burmese capital Rangoon and the Philippine resort of Cebu.

While air services are burgeoning, Singapore's port is also expanding. The Port Authority of Singapore has started work on a US\$27-million international passenger terminal, due for completion in late 1991, to handle a new surge of interest in ocean cruises.

Almost 180,000 cruise visitors stopped over in Singapore last year, a new travel market that has been increasing annually by 10 to 15 percent since 1985. Singaporeans have also flocked to cruising and passenger numbers have more than doubled over the past four years.

The plan now is to make the city once again the "cruise gateway" of Southeast Asia and the Pacific. The new cruise terminal will be an L-shaped extension to the present World Trade Centre building, built to handle two passenger liners at a time. Beyond that, the port authority is looking at a combined fly/cruise program in which the city will handle through-passengers and also jet them out from the United States, Europe and elsewhere.

Singapore's plans for expansion



Singapore Airlines is rated as the region's biggest and most sophisticated carrier.

of its freight industry are just as farsighted. With the volume of ocean container freight rising by 20 percent a year — putting the port of Singapore fourth in the world league after Rotterdam, Hong Kong and Taiwan's Kaohsiung — work has begun on a project that will turn Paulau Brani Island into a huge container terminal.

The port's present freight volume is 3.4 million TEU (Twenty-foot Equivalent Units). The US\$500 mil-

lion Paulau Brani depot, expected to be in operation by the late 1990s, will have four main container berths and 71 hectares (175.4 acres) of container storage space, linked by causeway to another nine new berths under construction at the nearby Tanjong Pagar container terminal. The added capacity: at least four million TEUs.

The same sort of expansion is going on at Singapore's main air cargo terminal, the Changi Air-

freight Centre. Capable of handling 750,000 metric tons of air cargo a year, the center's volume was more than 511,000 metric tons in 1988, increasing 22.3 percent over 1987.

With air cargo traffic in the Asia-Pacific region tipped to grow at an average 13 percent a year up to 1995, the Changi terminal's capacity will increase to 950,000 metric tons a year by 1992, with the completion of a second air freight depot. D.M.

Foreign Investment Wooed by Incentives

Ask Singapore's Economic Development Board (EDB) for a list of leading international manufacturing companies located in the country, and you will be presented with a 23-page document that reads like a Who's Who of the world's multinational companies. Most of them are located in the southwestern corner of the island in a place called Jurong.

tensive industries because we had a cost advantage. Now we're going for knowledge-intensive and capital-intensive companies."

Last year the manufacturing sector employed 322,595 people, or 26 percent of the work force. It accounted for just over 30 percent of gross domestic product (GDP), and 65 percent of its output was earmarked for export. However, according to Lee Hsien Loong, the trade and industry minister, services are likely to be the leading growth sector by 1991.

"We simply do not have the manpower," Mr. Lee told a University of Singapore audience in February, arguing that productivity was easier

to expand in the service sector. He pointed to the banking and finance sector, which employs some 10 percent of the work force but produces 26 percent of the GDP.

Mr. Lee believes the future of the manufacturing industry will depend on securing international niche markets. In fact, manufacturers are already moving in this direction, abandoning the unequal struggle with lower-cost producers of mass products and focusing on areas where skill and specialization are required. For example, Singapore now produces an astonishing 60 percent of the world's supply of computer peripherals.

Eventually, according to Mr.

Wong, "We think we will succeed in being the regional knowledge-intensive center." In other words, Singapore's industries will aim at providing services such as information technology for neighboring states.

Foreign investors are eagerly responding to Singapore's ambitious aims for upgrading the level of the industrial base; indeed, their average capital investment is much higher than that of Singaporean companies.

A senior Economic Development Board official says he sees the role of foreign multinational companies as "bringing us more than we can for ourselves." He says that their know-how and marketing abilities

have contributed greatly to the rapid development of the national economy.

Singapore, says Mr. Wong, "is one of the most liberal places in the world" for foreign investment. There are no restrictions on the level of foreign ownership and no foreign exchange controls, and nationalistic concerns about the high degree of overseas control over the nation's industries has never figured as a political issue.

"We have positioned ourselves with foreign investors as offering the best value for money," concludes Mr. Wong.

Alongside the provision of an excellent infrastructure and a skilled, English-speaking work force, Singapore offers an impressive array of incentives for the inward investor. There are eight schemes providing tax concessions, ranging from a venture capital scheme that allows up to 100 percent tax offsets against equity investment to a "pioneer status" scheme that encourages the introduction of new technology by extending a 33 percent reduction on corporate taxes for up to ten years. As part of its efforts to attract oper-

ational headquarters, the EDB also offers a very low tax rate for companies that manage parts of their business outside Singapore from a base in the republic. So far 24 companies have responded to this incentive.

Last year manufacturing investments totaled \$52.01 billion (US\$1.03 billion), of which \$51.667 billion came from overseas. This compares with investments totaling \$51.448 billion in 1987. As in 1988, some 80 percent of the capital came from overseas.

In 1986 Japan took over from the United States as the major overseas investor. Last year it accounted for 34 percent of total investment, compared with America's 29.5 percent and almost 18 percent from European sources.

EDB figures for the first half of the current year show that, for the first time, European investors, with commitments of \$5312 million, are the biggest investors in Singaporean industry. American investment totaled \$5286.7 million, while Japanese investment reached the relatively modest level of \$5227.3 million. S.V.

There is a rather futuristic look about Jurong, an impression reinforced by the presence of a science park and the spick-and-span grounds of the National University of Singapore. Yet back in 1961 this was an area of swampland and dense jungle.

There was nothing haphazard about the transformation of Jurong; like many things in Singapore the decision to turn the area into a sprawling industrial city was preceded by painstaking planning and development.

In 1968 the plans moved toward fruition with the establishment of the Jurong Town Corporation (JTC), an umbrella body responsible for managing and developing all industrial sites in Singapore.

It now manages 25 industrial estates, housing 4,229 companies, of which 70 percent are run by overseas corporations. The biggest investors are from the United States, but increasing numbers of Japanese companies are now beating a path to JTC's door.

"In the early days," says Wong Wei Tze, JTC's manager for corporate services, "we wanted labor-in-

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*Singapore was first named "Singapura" which means the lion city.

Initiatives Designed to Increase Productivity

Mr. Lee is categorical: "If we had to depend on Singapore entrepreneurs, we would not have today's Singapore." This interest in productivity was provoked by the fact that Japan appeared to emerge relatively unscathed from two international oil crises while the rest of the world was sent into a tailspin.

Mr. Lee and others identified Japan's emphasis on increasing productivity as the key to its economic success. But identifying the need for

Workers need better motivation and training

greater productivity is one thing; doing something about it is another. "The problem with productivity," says Koh Juan Kiat, executive director of Singapore's National Productivity Board (NPB), "is that it is not very obvious; we are trying to make it obvious."

The NPB was established in 1981 and spent its first five years trying to create awareness of the word "productivity." According to Mr. Koh, some 90 percent of the population became familiar with the term as a result of the campaign.

NPB data show that Singapore's economy enjoyed an average 6.6 percent growth rate between 1980

Like many things in Singapore, the campaign to boost productivity can be traced to the instigation of Prime Minister Lee Kuan Yew. Mr. Lee, speaking with his customary frankness, told the audience at a 1981 national day rally: "We may have been traders, but we do not understand management. Our managers do not understand productivity."

and 1988, while labor productivity grew by an annual rate of 4.8 percent, accounting for 73 percent of the growth in gross national product.

Relative to its competitors in other newly industrialized countries (NICs), this puts Singapore second to South Korea's 6 percent labor productivity growth rate and just ahead of Taiwan's 4.6 percent.

Singapore is painfully aware that it still has a long way to go in reaching levels prevailing in countries such as the United States, where labor productivity is more than twice that of Singapore.

Mr. Koh says that the bulk of productivity improvements have to come from capital investments, but significant progress can be achieved through better motivation and training of the work force. The NPB trains 1,500 workers a year in productivity enhancement methods. It

is ambitiously aiming to have 4 percent of payroll expenditure in Singapore devoted to training by 1991, up from a current level of 1.5 percent.

Freddy Soon, the NPB's director of public relations, admits that achieving this goal is not easy. However, he says, training is the best way to have "a direct impact on employees."

Another NPB tactic is the "prompt scheme," in which four or five people are sent into a company for a minimum of six months to help employees and management identify areas in which productivity can be improved. The company pays from 30 to 70 percent of the cost involved in this exercise, with the balance coming out of the NPB budget.

Capital investments per worker in Singapore reached \$56,300 (US\$3,214) at the end of 1988, a rise

of 4 percent over the previous year.

Mah Bow Tan, chairman of the NPB, says that increased levels of investment are making it possible to "upgrade the skills of the work force so that they are adaptable to the introduction of new technologies."

A study by the Economic Development Board (EDB) shows that there is a 35 percent gap between the value added per worker in foreign-owned enterprises compared with locally owned small- and medium-sized companies. This is apparently caused by a 23 percent difference in the net fixed asset per worker employed by foreign companies and their locally owned counterparts. The EDB hopes to persuade local companies to match investment levels of foreign companies in Singapore.

Productivity increases have been more noticeable in the manufacturing sector than elsewhere. EDB figures for 1988 show, however, that levels of productivity increase vary widely. Last year the industrial chemical and glass sector turned in a star performance of a 40 percent increase in the value added per worker compared with 1987.

The electronics industry, Singapore's largest, achieved only around 15-20 percent of the labor productivity score by the far smaller in-



Labor productivity grew by 4.8 percent a year between 1980-88.

dustrial chemicals and glass industries.

The NPB still encounters quite a lot of resistance in its efforts to raise productivity. "It can be very exasperating at times," says Mr. Koh. He believes the best form of persuasion is to take skeptics along to "model companies" and show them in nuts and bolts terms what can be achieved by participating in the activities of the NPB.

The board offers a wide range of training, training resource development and management guidance programs, which are available to all companies in Singapore at sub-

dized cost. The NPB estimates that if productivity growth of 3 to 4 percent can be achieved through the 1990s, Singapore will be able to experience annual economic growth of between 4 to 6 percent, which would lead to a doubling of income in real terms within the next 13 to 18 years.

Mr. Koh firmly believes that in Asian countries the government must take a lead in promoting productivity. Echoing Prime Minister Lee, he does not think that these matters can be left to the vagaries of the private sector.

S.V.

Multinationals a Study in Contrasting Styles

Haw Par's Tiger Balm, an analgesic ointment, is arguably Singapore's most famous product. SGS Thomson, a major multinational, manufactures semiconductors. Both companies chose Singapore as a focal point for their Asian-Pacific activities, but their respective experiences provide a study in contrast.

area of diffusion — the highest end of chip manufacturing. With \$180 million invested so far, the Singapore operation has since moved from labor to capital intensity and become the regional headquarters of the company.

Less sophisticated production processes have moved across the border to neighboring Malaysia, which together with Singapore now accounts for two-thirds of the company's worldwide assembly and testing of semiconductors. The advantages of being in Singapore, according to Mr. von Somogy, include an adaptable, intelligent and diligent work force plus the five to one difference between direct costs of Singaporean and European labor. "In Europe equipment works ap-

proximately 5,000 hours per year; here it operates for about 8,000 hours," he adds, noting that local productivity has grown on average by some 30 percent per year since 1981.

Mr. Von Somogy thinks that Europe and America have created "an atmosphere that is not suitable to investment and lowest cost manufacturing." He believes that the shift of production to countries like Singapore is far from over.

Meanwhile, Europe and the United States will concentrate on research, development and highly sophisticated forms of production. SGS-Thomson has earmarked \$40 million for capital expenditure this year, and is poised to double the size of its plant by the beginning of the

following year. The problem, however, does not relate to the capabilities of the Singapore plant but to the state of the fiercely competitive semiconductor market where "the fight between America and Japan has gone beyond normal competitiveness," he says.

Size is commonly considered to be a cost-effective means of ensuring competitiveness but, as Haw Par's experience shows, over-diversification can be counterproductive.

In 1969 the Aw family sold Haw Par to the controversial British-based conglomerate Slater Walker, which used the fortune made from Tiger Balm to embark on a massive (and, as it turned out, illegal) spending spree that transformed Haw Par into a highly diversified holding



Milivoj von Somogy, corporate vice president of Asia-Pacific, SGS Thomson.

company with a hodge-podge of holdings. A new management installed at the instigation of the Singapore government started restructuring the company. Micky Kon, the company's group general manager, says the current aim is to get

Haw Par back to what it does best — manufacturing pharmaceutical products.

"If you're into too many things, you are dissipating your energy," says Mr. Kon as he surveys an empire with interests in everything from a travel company to property development, trading, assembly of consumer electrical goods, electricity generators and the marketing of computers.

The company's current strategy focuses on developing the pharmaceutical business. As far as Tiger Balm is concerned, this means finding and expanding new markets outside the traditional base of Southeast Asia, particularly since the 20-year license for Jack Chia Ltd to manufacture and market Tiger Balm in Southeast Asia is due to expire in 1991.

Although it is not certain, the likelihood is that Haw Par will again be the main manufacturer of the product. The current management believes that the Jack Chia license, a legacy of the Slater Walker stewardship, gives the company a poor deal.

S.V.

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ADVERTISING SECTION

High-Tech Initiatives Ensure Competitive Edge

When Yeo Khee Leng, a Singapore resident, had his first child six years ago, getting a birth certificate meant a six-week wait. But when a second child came along earlier this year, the certificate was ready in just 10 minutes. Singapore's National Computer Board (NCB), of which Mr. Yeo is a divisional director, has moved the government's births registry — along with many other government services — into the computer age.

Since it was formed by the government in 1981, the NCB has been offering consulting services and singing the praises of computerization to anyone in Singapore who would listen, and the message is getting through. A 1987 survey showed some 59 percent of Singapore businesses were computerized, compared to 35 percent only two years earlier.

The national computerization drive is only one part of Singapore's headlong rush into the modern

Singapore has quadrupled its spending on R&D

world of high technology. With a working population of just over 1.2 million and an unemployment rate of only 3.3 percent, Singapore has begun to realize that it must depend on technological advances to keep it competitive in the world market.

"If we don't keep up," says Lai Chun Loong, a managing director of the domestic high-tech conglomerate Singapore Technologies, "industrialized countries won't want to have their factories here." Once a low-cost manufacturing center with a large supply of cheap labor, Singapore has reshaped itself in only a few years to become a major player in the high end of the market. In 1987, the republic spent S\$375 million (US\$191 million) on research and development, more than four-and-a-half times the S\$81 million spent in 1981, and more high-tech projects are now under way.

Singapore Technologies, which was originally set up with government funding to service the military, has branched into high-tech efforts; it recently transformed the American A4 Skyhawk fighter jet into the more powerful Super Skyhawk. And a joint venture with National Semiconductor is now developing products in high-end electronic warfare technology. Singapore research-

ers have made breakthroughs in the field of in vitro fertilization, while a laboratory equipment firm, Life Technology, has developed the world's first robotic diagnostic system for AIDS screening.

In the computer field, a computer-aided software engineering tool called POSE, developed by Singapore's CSA Inc. and the Information Technology Institute, has been widely sold throughout the United States. Meanwhile, dozens of multinational corporations have designed and developed high-end electronic and computer products entirely within Singapore.

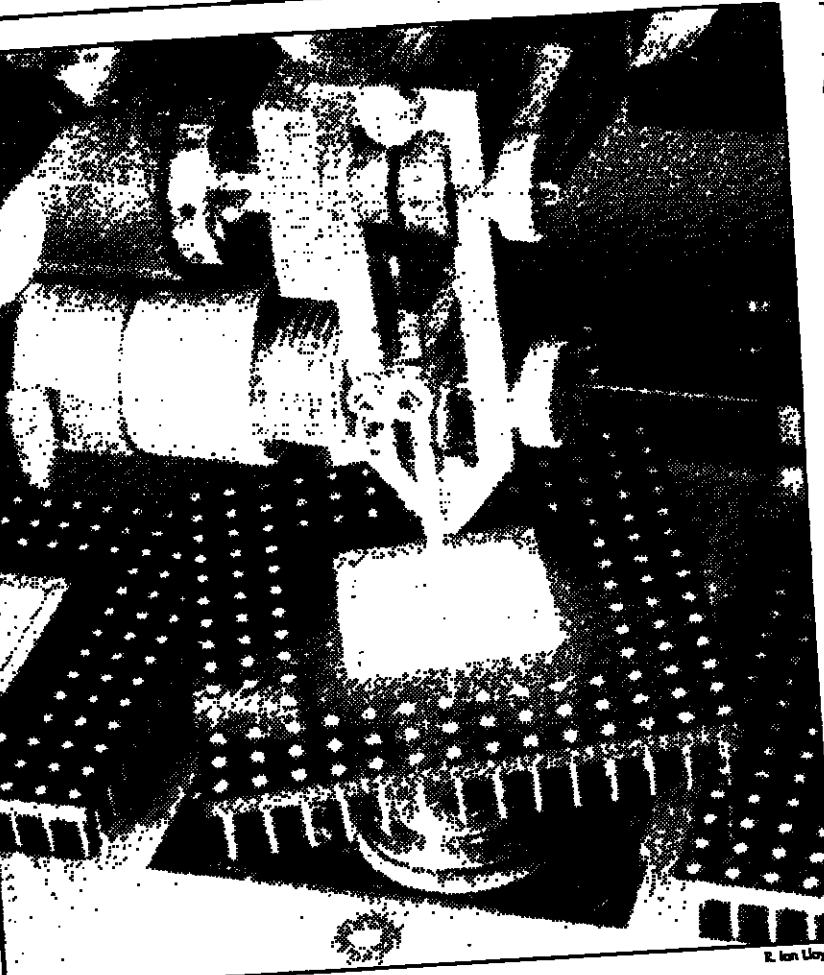
Singapore's high-tech rebirth is the result of careful government planning. Since the early part of the decade, the government has created think tanks to set the country's high-tech goals and develop plans to achieve them.

The NCB was set up in 1981 "to drive Singapore into the computer age," says Yeo Khee Leng. At the time, computers were used by only a small fraction of Singapore businesses, and there were less than 1,000 computer professionals in the whole country.

The NCB set out to change all that. It started programs to develop software and to help local companies create and sell software of their own. It also set up the Information Technology Institute for computer research — and promoted increased awareness of computers, even among schoolchildren.

These efforts, together with a National Information Technology Plan drawn up in 1986, have worked: computer use is increasing, and software developed by the NCB is now standard in shipping and software engineering.

There is no doubt that increased computerization has made Singapore more efficient. A recent study by the government showed that for every dollar spent, computerization saved S\$1.71. The number of com-



Some 59 percent of businesses were computerized as of 1987.

puter professionals has also grown, shooting from only 850 in 1980 to more than 8,000 in the field this year.

Singapore's high-tech revolution is not restricted to computers. In 1987, the government's Economic Development Board determined to step up automation in Singapore's factories. A national committee of leading high-tech industrialists found that Singapore factory owners were resisting automation, which was seen as too expensive and too inflexible.

"It became obvious that if we do not hold their hands, small and intermediate institutions will not automate," Singapore Technology's Lai Chun Loong, who chaired the committee, says. In its report issued in 1988, the committee suggested the government take a more aggressive approach. It called for greater promotion of existing programs, such as free pre-automation studies and cheap loans to factory owners buying automated production equipment. Perhaps most important, Mr. Lai says, is the need to educate the public about the importance of automation. "If we don't provide an automation culture, our efforts won't go very far."

Petroleum Industry Set To Expand Further

Singapore's second biggest industry, petroleum refining and petrochemicals, is undergoing a US\$578 million expansion, which will enhance its position as a global oil trading and refining center.

The new projects are aimed largely at boosting refining capacity at the island republic's five major plants, as well as improving storage and distribution.

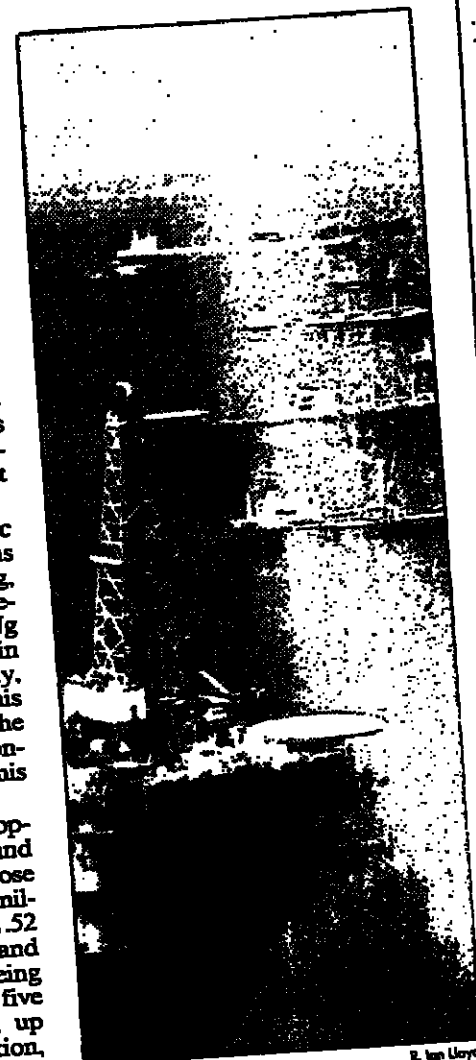
Both competitors, currently developing their industrial infrastructures in a bid to join the Asian NICs (Newly Industrialized Economies), are switching from crude oil production to increased downstream oil products manufacturing. But according to Ng Cheng Cheong, marketing vice president of the Singapore Petroleum Company, the expansion of Singapore's refineries and increased regional energy demands will protect its key export industry.

"From now up to 1995, economic growth in the Asia-Pacific region is expected to continue to be strong, and petroleum demand should likewise continue to expand," Mr. Ng says. "By the time new refineries in Malaysia and Indonesia are ready, demand would offset most of this additional refining capacity. The Singapore oil industry should continue to supply the deficits of this region."

According to the Trade Development Board, trade in crude oil and refined petroleum products rose 18.8 percent last year to 88.81 million metric tons worth US\$11.52 billion. With between 750,000 and 800,000 barrels of crude oil being refined per day by Singapore's five refineries, and exports taking up some 85 percent of production, trade is expected to exceed 90 million metric tons this year.

In oil products development, Singapore is already well ahead of its rivals, with 90 percent of its production involving downstream refining operations. In the first six months of this year, a worldwide "robust demand" for refined products such as naphtha and LPG boosted production by a total of 35 percent, with the U.S. and Europe described as the "significant markets."

"Protectionist sentiments remained strong in most of Singapore's export markets during 1988," the board says, and it notes that Singapore is making a major effort to diversify in order to reduce de-



Up to 800,000 barrels of crude oil are refined per day.

pendence on nations that might lower the trade booms. Ng Cheng Cheong agrees that with refining and petrochemicals currently contributing 19 percent of Singapore's total manufacturing output — second only to electronics — market vigilance is essential to the industry's future growth.

"We must continue to be alert to new growth areas and to the changing pattern of petroleum demand," Mr. Ng says, "if we want to secure and hold the niche."

D.M.

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ADVERTISING SECTION

Tourism: Coconut Curries And Clouded Leopards

A Sumatran tiger slips into the water to escape the tropical heat. A craftsman carefully wraps strips of paper over a bamboo frame to create a ceremonial lion's head for festival time. An Indian shopkeeper slides a bale of brightly colored sari silk across the counter. Very different sights — and all of them are Singapore.

Without a doubt, Singapore's best-known attraction is Chinatown. Once threatened by a relentless drive to modernize and rebuild, Chinatown is now recognized as a valuable tourist attraction worth preserving. "We have succeeded in convincing the government to stop demolishing the old areas," says Lim Chin Beng, chairman of the Singapore Tourist Promotion

The accent is now on preserving and restoring

Board. Now the accent is on preserving and restoring, and the result is one of Singapore's liveliest ethnic areas.

Bounded roughly by the Singapore River on the north, Maxwell Road on the south, Telok Ayer St. on the east and New Bridge Road on the west, Chinatown is a colorful mix of sights, sounds and smells that lends itself ideally to a walking tour. A good place to start is Temple St., a short avenue just a few blocks north of the corner of Maxwell and South Bridge roads. A few effigy makers work here, fashioning paper and cane replicas of goods the dead may find useful in the afterlife — everything from miniature cars to scaled-down houses.

For the here and now, a wide selection of traditional Chinese pottery, from dainty brown Yi Xing teapots to huge decorative vases, is also on sale. The neighborhood — including Pagoda St., Smith St. and Trengganu St. — is filled with tea shops, fortune-tellers and shops full of international medicines. But it is the temples that attract most of the attention in Chinatown. Telok Ayer St., which once fronted the seashore, has some of the finest examples. One is the Thian Hock Keng Temple (Temple of Heavenly Happiness) near Boon Tat St., a national monument dedicated to Ma Chor Por, the protector of sailors. The god's statue was brought from China in 1840.

Singapore is also home to some

170,000 Indians, mostly descendants of laborers brought in by the British East India Company more than a century ago. Today their culture can best be experienced in Little India. Located along Serangoon Rd., Little India is a treat for the senses, loaded with brightly colored silk, pungent spices and the music of the subcontinent.

Like Chinatown, it is best seen on foot. A tour of Little India could begin at the Kandang Kerbau market near the Rochor Canal. The name was officially changed to the Zhujiao Center when the market moved into a new building, but most locals ignore the new name.

A little farther up the road are goldsmiths who sell heavy jeweled pieces still used as a bride's dowry. Among the gold shops are spice sellers and tailors offering silken saris and matching blouses. Along Buffalo Rd. — and in many other spots in Little India — flower sellers weave sweet-smelling jasmine blossoms and rose petals into garlands.

No visit to Serangoon Rd. is complete without a sample of the food. From tiny street stalls serving freshly baked roti to restaurants specializing in coconut curries, there is plenty of variety.

Walking tours in Singapore are not restricted to ethnic areas. The government has launched a number of multimillion-dollar programs to refurbish landmarks dating back to the last century, all worthy of a visit.

The most famous of these, Raffles Hotel, is closed for a renovation expected to take two years, but one of the finest completed restorations, the Empress Place building near the Singapore River, can be visited. A \$522 million (US\$11 million) project turned the former courthouse into a museum surrounded by architectural landmarks, including the Fullerton Building, Cavenaugh Bridge and the Victoria Theatre.

Over the past year, harbor cruises have become the country's newest tourist attraction. It's the best way to see the dozens of outlying islands, many of which are shrouded in an-

cient Malay myths. One of the most popular, Kusu Island, also known as Temple or Tortoise Island, features the colorful Chinese temple of Tua Pek Kong, the god of prosperity.

On other islands, such as Pulau Island, time seems to have stood still. Families live in wooden houses on stilts typical of Malay fishing villages. Many other islands offer the chance to swim in a lagoon and laze under a palm tree on a sandy beach.

A world away from the beaches of the outlying islands and the colorful streets of the ethnic districts is the Singapore Zoological Garden. This is a zoo built with the animals, as well as the visitors, in mind. Sprawling over 90 hectares (222.3 acres) near the Seletar Reservoir,

the zoo has natural barriers such as water or rock faces rather than fences enclosing most of the animals.

Some 1,700 animals from 170 species are housed here, including 75 endangered species such as the Sumatran tiger, the clouded leopard and the Komodo dragon. The zoo's pride and joy is its collection of 19 orangutans, the largest such collection in the world. Every day except Sundays and holidays, one can have a 9 a.m. breakfast or a 4 p.m. high tea with the apes, but bookings should be made in advance.

Nature lovers will enjoy a trip to the Jurong Bird Park. The 20-hectare park is home to more than 3,000 birds and boasts the world's largest walk-in aviary, complete with a 30-meter (100-foot) waterfall. Exotic

species — such as lorikeets, ibises and peacocks, wander free.

Visitors can also see nocturnal species in special enclosures that simulate night conditions. And at the Crane Paddock, a man-made marsh, the park breeds a variety of birds such as the Manchurian and white-naped cranes.

Those looking for a bit of nature and a carnival atmosphere all in one will find it at Sentosa Island. Once a military base, the island was redeveloped in 1970 into a multimillion-dollar resort. For history buffs,

there is the Pioneers of Singapore exhibit, the four-hectare Fort Siloso and the Maritime Museum. Nature lovers can visit Butterfly Park, with its 4,000 mounted butterflies and more than 50 species of live butterflies, or check out the Coralarium, with 2,000 kinds of seashells and living corals. Visitors can swim in the natural swimming lagoon or at one of two nearby beaches, and finish off the day at the Musical Fountain, which offers several shows nightly — all within minutes of the heart of Singapore. J.K.

Derek Maitland is the publisher and editor-in-chief of *The Pacific Traveller*. John Keating is a free-lance writer based in Hong Kong. Stephen Vines is the Southeast Asia correspondent of *The Observer*.



Colorful Chinatown (left); Pulau Island (upper right), where time seems to stand still, and the Merlion, the symbol of Singapore.

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EUROBONDS

'New Approach' to Bonds
by World Bank Heralded

By CARL GEWIRTZ

International Herald Tribune

PARIS — The World Bank will cap three months of intensive public relations this week when it launches the first global bond — "a new approach to issuing, trading and clearing publicly offered World Bank dollar bonds," the bank says in a 14-page brochure mailed to some 18,000 potential investors around the world.

Enthusiasm among the 14 banks named to underwrite the \$1.5 billion maiden offering is high. Credit Suisse First Boston, one of the 14, waxed publicly that the issue, to be offered simultaneously in the international and domestic U.S. bond markets, "makes a significant contribution to the integration of the world's leading securities markets."

The hyperbole notwithstanding, the global bond is not about to reshape the international bond market. The concept is custom made for the World Bank and stands little chance of being copied by other borrowers, with the possible exception of the Inter-American Development Bank.

The exuberance of both the issuer and the underwriters should be seen in terms of money — an expected lower all-in cost of funding than the World Bank has been able to attain up to now, and higher commissions for the international underwriters than they have previously received from the World Bank.

Investors will be asked to finance this largesse via their expected willingness to buy the new bonds at a smaller premium to the yield on U.S. government debt than has been deemed necessary up to now.

Given the extensive consultations World Bank officials have had with potential institutional investors around the world, there is no reason to doubt that this is anything but a deal among consenting adults with each of the participants getting something they want.

Institutional investors are expected to accept the tighter spread to U.S. Treasury bonds in exchange for the increased liquidity of the jumbo issue — double the size of any previous World Bank offering. The size and the fact that it will be actively traded internationally and in New York gives assurance that large positions can be bought or sold without causing the price to move.

WHAT REMAINS to be seen is how narrow a spread is maintained between the bid and the offered quote on the new issue, an important consideration for institutional investors. The more liquid the issue, the narrower the spread and, therefore, the lower the cost to trade the paper.

In addition, big investors should be able to earn additional income holding the bonds, since this paper will be eligible to be lent to other professionals in the U.S. market for use as collateral for repurchase agreements. Up to now, U.S. government and government-agency securities have served as collateral. The size and liquidity of the global bond make it eligible for use in the repo market.

The key feature distinguishing the global bond from other bonds will be the ease with which it can move between the New York market and the rest of the world. That is made possible by the fact that all the bonds are being issued in the form of registered securities, the method used in the U.S. market.

By contrast, Eurobonds are bearer securities, whose anonymous holders collect interest by presenting the annual coupon stub to paying agents.

World Bank officials say their discussions with potential investors show that institutional investors are willing to accept registered bonds instead of the standard bearer bonds that are so dear to retail Eurobond investors eager to escape identification by tax officials.

The indifference of institutional investors to the tax implications of holding registered securities is the crucial feature on which the global bond concept is built and illustrates why no other borrower, apart from the IADB, is likely to imitate the World Bank formula.

Historically, the Eurobond market has always been a tax-free zone with coupons paid in full, leaving investors the choice of whether to declare their income. This stood in contrast to the major domestic bond markets, where coupon payments were made after deduction of a withholding tax. Subsequent deregulation and internationalization of securities markets resulted in the elimination of the domestic withholding taxes.

Despite the elimination of the U.S. withholding tax, foreign investors earning interest income on U.S. bonds are subject to U.S. income tax. Admittedly, this is less a burden than it might seem, since U.S. tax treaties with many countries assure investors that they are taxed on the income only once.

But the World Bank, although its headquarters are in Washington, D.C., is a tax-exempt entity.

See EURO, Page 19

Currency Rates

Cross Rates	Sept. 15	Sept. 16	Sept. 17	Sept. 18
Amsterdam	2,225	2,245	2,270	2,285
Berlin	1,125	1,145	1,170	1,185
Frankfurt	1,125	1,145	1,170	1,185
London (\$)	1.54	1.55	1.56	1.57
Milan	1,125	1,145	1,170	1,185
New York (\$)	1.00	1.00	1.00	1.00
Paris	6.55	6.55	6.55	6.55
Stockholm	1.125	1.145	1.170	1.185
Zurich	1.125	1.145	1.170	1.185
1 ECU	1.80	1.80	1.80	1.80
1 SDR	1.25	1.25	1.25	1.25

Closings in London and Zurich, flings in other centers. New York closing rates.
a: Commercial franc; b: To buy one pound; c: To buy one dollar; *: Units of 100; N.Q.: not quoted; N.A.: not available.

Other Dollar Values	Sept. 15	Sept. 16	Sept. 17	Sept. 18
Argentine peso	15.00	15.00	15.00	15.00
Australian \$	1.25	1.25	1.25	1.25
Belgian franc	36.36	36.36	36.36	36.36
British pound	1.63	1.63	1.63	1.63
Canadian \$	1.33	1.33	1.33	1.33
Chinese yuan	8.27	8.27	8.27	8.27
Danish krone	6.46	6.46	6.46	6.46
Deutsche mark	1.93	1.93	1.93	1.93
French franc	6.55	6.55	6.55	6.55
Italian lira	2.00	2.00	2.00	2.00
Japanese yen	163.00	163.00	163.00	163.00
South African rand	1.47	1.47	1.47	1.47
Swedish krona	4.66	4.66	4.66	4.66
Swiss franc	1.75	1.75	1.75	1.75
Taiwan dollar	24.60	24.60	24.60	24.60
West German mark	1.93	1.93	1.93	1.93

New York rates unless marked * (local rate).

Forward Rates	30-day	60-day	90-day	120-day	150-day	180-day
Current	1.54	1.55	1.56	1.57	1.58	1.59
Forward	1.54	1.55	1.56	1.57	1.58	1.59
Forward	1.54	1.55	1.56	1.57	1.58	1.59

Sources: Interbank Bank (Brussels); Banca Commerciale Italiana (Milan); Banque Nationale de Paris (Paris); Bank of Tokyo (Tokyo); IMF (SDR); Goldbank (London). Other data from Reuters and AP.

Last Week's Markets

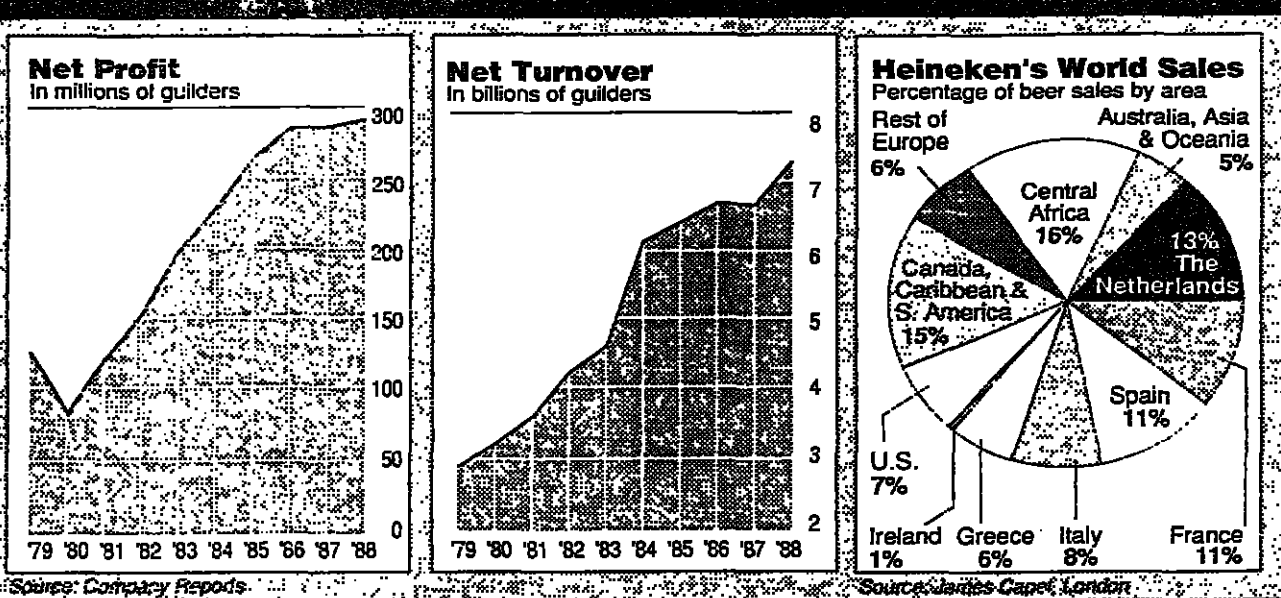
All figures are as of close of trading Friday

Stock Indexes	Sept. 15	Sept. 16	Sept. 17	Sept. 18
United States	2,674.54	2,709.54	2,715.98	2,715.98
DJ Ind.	2,674.54	2,709.54	2,715.98	2,715.98
DJ Ind.	2,674.54	2,709.54	2,715.98	2,715.98
DJ Ind.	2,674.54	2,709.54	2,715.98	2,715.98
DJ Ind.	2,674.54	2,709.54	2,715.98	2,715.98
DJ Ind.	2,674.54	2,709.54	2,715.98	2,715.98
DJ Ind.	2,674.54	2,709.54	2,715.98	2,715.98
DJ Ind.	2,674.54	2,709.54	2,715.98	2,715.98
DJ Ind.	2,674.54	2,709.54	2,715.98	2,715.98
DJ Ind.	2,674.54	2,709.54	2,715.98	2,715.98

Money Markets	Sept. 15	Sept. 16	Sept. 17	Sept. 18
Discount rate	7.00	7.00	7.00	7.00
Federal funds rate	9.1/16	8.1/16	8.1/16	8.1/16
Prime rate	10 1/2	10 1/2	10 1/2	10 1/2
3-month T-bill	7.375	7.375	7.375	7.375
6-month T-bill	7.625	7.625	7.625	7.625
1-year T-bill	7.875	7.875	7.875	7.875
3-month Eurodollar	7.875	7.875	7.875	7.875
6-month Eurodollar	8.125	8.125	8.125	8.125
1-year Eurodollar	8.375	8.375	8.375	8.375
3-month LIBOR	7.875	7.875	7.875	7.875
6-month LIBOR	8.125	8.125	8.125	8.125
1-year LIBOR	8.375	8.375	8.375	8.375

World index from Morgan Stanley Capital IBI.

Flat Profits for Heineken



Heineken Taps Market for 'Dry' Beer

By Ronald van de Krol

Special to the Herald Tribune

AMSTERDAM — Its pride stung by a decline in beer sales in its home market, the Dutch brewery group Heineken NV is hitting back with a new product that is certain to test the limits of its famous marketing and advertising skills — "dry" beer.

Heineken is hoping that its new beer, loosely modeled on a craze that began in Japan three years ago and has since spread to the United States, will woo fickle Dutch consumers, especially women and younger men aged from 18 to 35.

If successful here, Heineken's dry beer may eventually be exported to other parts of Europe and to the United States. More important-

ly, it may also make a small contribution toward leveling up Heineken's flat profit performance of the past few years.

The company's "Dry 100 Mild Beer," introduced in the Netherlands this month, is no less "wet" than other beers, nor does it contain fewer calories or less alcohol. The difference with the group's other brands is that the beer is less bitter than other beers and leaves less of an after-taste.

Although based on Japanese methods of brewing dry beer, which call for a longer fermentation process than usual, Heineken's "dry" is consciously designed to be milder to appeal to European tastes. Japanese dry beers, by contrast, are more bitter and have a

higher alcohol content than the 5 percent of Heineken's version.

The arrival of Heineken's new beer in Dutch bars, liquor shops, supermarkets and restaurants has been accompanied by an advertising campaign that will cost 3 million guilders (\$1.33 million) between now and the end of the year, making it the most expensive Heineken has ever mounted for a new product in the Netherlands over a four-month period.

Through its ad campaign, Heineken is seeking to flush out "occasional" beer drinkers who would be willing to drink more than their usual one or two bottles, if only beer were not so bitter.

"The beer is aimed at people who already drink beer but only if it's

warm outside or if they're really thirsty," Hella Schoonveld, a spokeswoman for Heineken's Dutch operating company, Heineken Nederland BV, said. "It's for people who have never gotten used to the bitter taste of pilsener."

Heineken's move is part of a wider company strategy for coping with subtle but far-reaching changes on the Dutch beer market, changes that also are cropping up in other mature beer markets in northern Europe and North America.

"People are starting to turn to special types of beers and to premium imports," Ms. Schoonveld said. "One day they'll be in the mood for a low-calorie beer, the next day they may even want a alcohol-free beer."

See HEINEKEN, Page 18

Poor 'Pay' \$50 Billion to Rich

By Hobart Rowen

Washington Post Service

WASHINGTON — The pace at which developing countries have been transferring money back to the richer nations accelerated dramatically last year, hitting a record total of \$50.1 billion, up almost \$12 billion from 1987, the World Bank reveals in its annual report to be released Monday.

The "net negative transfer," representing repayments of interest and principal that exceed new lending, is \$7 billion higher than the \$43 billion preliminary estimate for 1988 published at the end of December in the World Bank's global debt tables. "So the situation in the Third World is getting worse, not better," observed a bank official.

For the 17 most highly indebted nations, the net outflow rose to \$32.8 billion from \$21.6 billion in 1987. Of these, Mexico led the list with resource transfers of \$9.4 billion, a huge increase of \$6.5 billion over \$2.9 billion in 1987. Brazil was next, with payments to the richer nations of \$8.2 billion, up from \$7.9 billion in 1987.

The report said the underlying deterioration in the economic situation of the poor nations underscores the need for the intense application of the new debt strategy emphasizing debt reduction and reduction of interest payments.

The new strategy, known as the Brady Plan — for its initiator, Nicholas F. Brady, the U.S. Treasury secretary — has begun to be applied by both the World Bank

and the International Monetary Fund.

But its effects will not show up in the figures for at least a year or two, according to the bank's external affairs director, Francisco Aguirre-Sacasa. He referred to the approval by the board of the bank of the new debt-reduction loan guidelines as "the most meaningful innovation the bank made" in the past year.

The outflow of \$50.1 billion from all developing countries in 1988 represented the difference between new lending of \$92.3 billion and repayments of principal and interest of \$142.4 billion.

The flow of aid to the poor countries increased by about \$5 billion in 1988 over 1987 (despite a contin-

See TRANSFER, Page 19

Quotas Lead OPEC Agenda

Reuters

LONDON — Sparks are expected to fly when OPEC meets in Geneva on Saturday because some members have flouted oil output quotas and prices remain below the cartel's target.

Poorer members of the Organization of Petroleum Exporting Countries say they are losing money because two affluent Arab Gulf states, Kuwait and the United Arab Emirates, are exceeding their quotas.

The pair contend that their OPEC-mandated quotas are too small. Industry sources say it is an open question whether the oil ministers can restore supply discipline at Geneva.

"If there is a decline of 50 cents or a dollar per barrel," said

the Venezuelan energy minister, Celestino Armas, "it means a lot of money for the exporting countries."

Despite good world demand, average prices are just over a dollar below the OPEC target of \$18 a barrel. Volatile oil prices, market analysts add, threaten wide repercussions.

The Soviet leader, Mikhail S. Gorbachev, for instance, depends on selling oil to the West for more than half of Soviet hard-currency earnings as he tries to implement economic reforms.

The Iranian president, Hashemi Rafsanjani, also is working against the clock to revive an economy that depends on oil for 90 percent of foreign exchange.

Speaking of Iran, Mehdi Vaziri

who follows OPEC for the London brokerage Kleinwort Benson, said: "The regime realizes that it has only six to 12 months in which to show concrete signs of progress."

Weak prices are also blamed for declining U.S. oil output. The strength of the dollar has helped exporters' revenues this year while prices have held up better than most pundits had dared forecast, with no slide toward the \$10-a-barrel oil seen in the 1986 glut.

Kuwait and United Arab Emirates excess output helped push OPEC supply up to 21.5 million barrels daily — two million barrels above where it would have been if all 13 members had stuck to quotas.

Campeau Has Breathing Space but Vexed Long-Term Questions Remain

By Mark Potts

Washington Post Service

NEW YORK — The beleaguered Canadian retailing conglomerate Campeau Corp. spent the weekend struggling to complete a loan agreement that would give it some financial breathing room. But analysts said the respite would be brief, at best, and might not address the company's long-term financial and management problems.

On Friday, Campeau missed an interest payment on some of its junk bonds and was forced to surrender 7 percent of its stock be-

cause it could not come up with a commitment for \$401 million in financing.

Meanwhile, sources said some suppliers to Campeau's department stores were considering withholding shipments from the stores because of concerns about the company's financial situation.

Toronto-based Campeau, whose holdings include the Bloomingdale's and Abraham & Straus department-store chains in the United States, said late Friday that it had a reached preliminary agreement with the Canadian real estate

giant, Olympia & York Developments Ltd., for a \$250 million loan.

However, final approval of the agreement was being held up by Campeau's banks, led by New York's Citibank. They are concerned about the timing of the cash infusion, according to a source close to the negotiations. And the company conceded that there was no guarantee that the agreement would go through.

The approval of the banks is needed to change the terms of some outstanding loans to Campeau, in particular a \$1.05 billion loan to its

Federated Department Stores subsidiary, which in turn owns Bloomingdale's.

Campeau's financial problems, which have been deepening over the past week, led three investment banks to take control of 7 percent of the company's stock on Friday. The shares had been put in escrow as part of a deal in which Campeau was supposed to come up with commitments from lenders to cover a \$401 million loan related to the acquisition of Federated last year.

When Campeau failed to come up with the financing by Friday's

deadline, the investment banks took the stock.

Meanwhile, Campeau's Allied Stores unit said it had missed a scheduled interest payment on some of its bonds because the money from Olympia & York had not yet come through. Allied exercised a clause that allows it a 30-day grace period on payment of the interest.

Campeau, which a week earlier put the 17-store Bloomingdale's chain up for sale in an effort to raise cash, has said that the agreement with Olympia & York would require the sale of that chain.

Analysts were skeptical that the deal with Olympia & York would be enough to bail out the company over the long term, and said they were concerned that details of the deal still needed to be worked out after a week of negotiations.

Although Campeau's statement did not directly answer questions about who would control the company if the agreement with Olympia & York is reached, the banker involved in the negotiations said that the role of the company founder, Robert Campeau, would be greatly diminished.

Pöhl Predicts Broader Role
For French Franc in Europe

Reuters

HAMBURG — The French franc will gain international significance if France continues to orient its monetary policy toward stability and to liberalize its capital markets, according to the president of the West German Bundesbank.

Karl Otto Pöhl, in a summary of an interview published in Sunday's West am Sonntag newspaper, was quoted as saying that the West German central bank would welcome a larger international role for the franc.

Such a role would "relieve the burden" on the Deutsche mark as a reserve currency, he said.

The Bundesbank has in the past been concerned that the mark's international role dilutes the bank's monetary autonomy.

Mr. Pöhl said it would be a mistake to move too fast toward a proposed European currency union. It is hard, he said, to predict if such a union would be possible this century, adding that the road to union would be "long and not without difficulties."

Political union and the readiness of European states to abandon some sovereignty were preconditions for monetary union, Mr. Pöhl added.

U.S., EC Clear Air on Trade

Reuters

BRUSSELS — Top U.S. and EC trade negotiators said they had cleared the air over rows spoiling relations after talks here on Saturday, with the chief American negotiator indicating that her fears of European protectionism had diminished.

"I leave this meeting in a very positive frame of mind quite hopeful for the future," the U.S. special trade representative, Carla A. Hills, said at a news briefing.

Mrs. Hills said the day's talks had put her mind at rest over worries she had expressed on Monday in Paris that U.S. companies, particularly in electronics, would be forced to invest in the European Community to overcome future trade barriers.

"This concern has grown," she said. "But I think we can work out of this and I am basically an optimist about what will result from Europe's single market."

EC Trade Commissioner Frans Andriessen said foreign investors had no reason to fear they would have their arms twisted into starting up plants in the 12-nation bloc. It was not turning into a Fortress Europe.

Mr. Andriessen welcomed progress on defusing a row over the community's ban on imports of hormone-treated meat, and said he hoped the United States would soon be able to scale down sanctions it had imposed in protest as it shipped over more untreated meat.

Amro, Générale
Drop Ambitious
Merger Plan

Reuters

LONDON — Belgium's biggest commercial bank and the Netherlands' second largest have abandoned ambitious plans for the first full European cross-border bank merger, European banking sources said Sunday.

They said Amsterdam-Rotterdam Bank NV of the Netherlands and Générale de Banque SA of Belgium would reduce their mutual shareholdings of 9.9 percent and limit themselves to some cooperation.

"There will be no more talk of integration, it will just be cooperation in some domains," one banking source said.

The decision, expected to be announced by the chairman of the banks at a news conference in Amsterdam on Monday, was taken because differing national company and tax laws posed insurmountable problems, the sources said.

Unions, particularly in the Netherlands, had also taken an increasingly hostile stance because of the job losses involved, they said.

The collapse of the plan, intended specifically to meet the challenge of the post-1992 single European market, illustrates the problems still to be overcome before the community becomes a truly integrated economic entity, the sources added.

The plan was announced in February 1988, when the two banks took the 9.9 percent mutual stakes with warrants to boost them to 25 percent. The merger was to be completed three years later.

But in February this year, the chairman of Générale de Banque, Baron Paul Emmanuel Janssen, gave a hint that there were more problems than expected and put only a 50-50 chance on its success.

"We are not going to make the merger if one plus one equals two. One plus one has to equal more than two, otherwise we're not going to go through all that trouble," Mr. Janssen said in an interview.

To calm the waves his remarks created, he said a few days later that he meant to say the glass was half full rather than half empty when he mentioned the figure 50-50.

The merged bank would have been the biggest in the Benelux countries. In terms of deposits, it would have ranked fourth in Europe and 15th world-wide.

Michel Berges, managing director of Générale's international division, last February stressed the importance of the alliance with Amro in the face of 1992.

■ Dutch Merger Set

Nederlandsche Middenstandsbank NV and state-owned Postbank NV said they will finalize their merger agreement on Oct. 4, Reuters reported from Amsterdam. Under the deal, the Dutch government will hand over all shares outstanding in Postbank to NMB Bank in exchange for new shares and share warrants in NMB.

The 5 billion guilder (\$2.2 billion) deal to create the fourth-largest Dutch banking group puts equal price tags on NMB and Postbank.

New International Bond Issues

Compiled by Laurence Desvillettes

Issuer	Amount (millions)	Mat.	Coups. %	Price	End week	Terms
FLOATING RATE NOTE						
Bank of Communications (Taiwan)	\$100	2001	0.10	100	—	Over 6-month Libor. Redeemable at par in 1996. Fees 0.13%.
TMC Fibra First Packaging Number 2	£ 250	2029	0.18	100	—	Over 3-month Libor. Callable at par in 1999, when coupon becomes 1% over Libor. Average life 7.2 years. Fees 0.27%.
SDS Bank	¥1,500	1993	1/4	101.25	—	Over 3-month Libor for first 3 months. Then coupon will be linked to the Nikkei 225 stock index. Noncallable. Fees 1/4%.
FIXED-COUPONS						
Euro Credit Card	\$325	1994	9	99.80	—	Noncallable. Fees 0.325% (JMS-Phillips & Drew Securities).
Exxon Capital	\$250	1994	8 1/2	99.80	99.65	Noncallable. Fees 0.325% (Credit Suisse First Boston).
Société Générale Finance (Luxembourg)	\$100	1993	9 1/2	100.15	100.25	Noncallable. Fees 0.35% (Société Générale).
Vneshconbank	DM 500	1996	7 1/2	100 1/4	97.75	Noncallable. Fees 2 1/4% (Commerzbank).
General Electric Capital	£ 100	1994	11 1/2	101 1/2	99.00	Noncallable. Fees 1 1/4% (Chaimowitz Bank).
Volkswagen Int'l Finance	¥1,500,000	1994	12 1/2	101 1/2	100.38	Noncallable. Fees 1 1/2% (Credito Italiano).
Unilever	ECU 100	1992	8 1/2	101.56	100.19	Noncallable. Fees 1 1/4% (Istituto Bancario San Paolo di Torino).
Toyota Motor Credit	¥150	1994	10 1/2	101 1/2	99.70	Noncallable. Fees 1 1/4% (Monroia Int'l).
Verreins-und Westbank Int'l	CS 75	1991	11 1/2	101 1/2	100.13	Noncallable. Fees 1 1/4% (Bankers Trust Int'l).
CIBC Australia	AUS 40	1992	15 1/2	101 1/2	100.00	Noncallable. Fees 1 1/4% (Fay, Michewitz).
Federal Business Development Bank	AUS 50	1990	19	101 1/2	100.78	Noncallable. Issued as a fixed exchange rate of \$0.74 per Aus. dollar. Fees 1 1/4% (Bankers Trust Int'l).
Caisses Centrales Desjardins du Québec	¥11,000	1993	5.35	101 1/2	—	Noncallable. Fees 1 1/4% (Long-Term Credit Bank Int'l).
Mitsui & Co. Int'l Europe	¥20,000	1993	8.65	101 1/2	—	Noncallable. Redemption amount of maturity will be linked to the performance of the Nikkei 225 stock index. Fees 1 1/4%.
EQUITY-LINKED						
Hokutsu Paper Mills	\$150	1993	open	100	101.25	Coupon indicated at 4 1/4%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Fees 2 1/4%. Terms to be set Sept. 18. (Mitsubishi Int'l Europe).
Mitsubishi Metal	\$300	1994	open	100	101.05	Coupon indicated at 4 1/4%. Noncallable. Each \$25,000 note with five warrants exercisable into company's shares at an expected 25% premium. Fees 2 1/4%. Terms to be set Sept. 18. (Mitsubishi Int'l Europe).
Sharp	\$500	1993	3 1/4	100	102.50	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at 1.44% per share and at 147.80 yen per share. Fees 2 1/4% (Monroia Int'l).
Yusasa Battery	\$150	1993	3 1/4	100	102.75	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at 1.44% per share and at 148.30 yen per share. Fees 2 1/4% (Monroia Int'l).
Thomson	DM 100	1993	1 1/2	100	100.75	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at 1.22% per share and at 74.42 yen per share. Fees 2 1/4% (Deutsche Bank).
Nippon Piston Ring	DM 100	1994	1 1/2	100	101.50	Noncallable. Each \$5,000 note with five warrants exercisable into company's shares at 1.22% per share and at 74.42 yen per share. Fees 2 1/4% (Deutsche Bank).
Mitsubishi Metal	DF 200	1993	open	100	99.75	Coupon indicated at 2 1/4%. Noncallable. Each 10,000-guilder note with ten warrants exercisable into company's shares at an expected 25% premium. Fees 2 1/4%. Terms to be set Sept. 18. (Paradeur-Banque Paribas).

TRANSFER: Poor Pay More

(Continued from first finance page)

used decline in commercial bank loans. But the repayments overwhelmed that small increase, soaring by \$17 billion.

The trend in net outflows from the poor to the rich nations began in 1984, when the borrowing nations transferred \$10.2 billion to the rich.

In 1981, at the peak of private bank lending to the Third World, the "positive" flow of money to the Third World had been \$35.2 billion. The "negative," or outward flow from the Third World has been increasing every year since then.

Both the report and officials who discussed it said that the disappointing results will underscore the World Bank's commitment to alleviating poverty. They noted that fully one-third of all bank lending now can be described as "adjustment" loans designed to improve economic growth, investment, or related research on trade or agricultural affairs.

The bank also said it is becoming more responsive to other changing needs among developing countries, such as environmental factors, in approving its loans. Mr. Aguirre-Sacasa said that two-thirds of all agricultural projects approved by the bank last year included environmental components.

In a speech last week, Barber Conable, president of the bank, also stressed the bank's larger focus on the impact of lending programs on the environment.

According to the report, the bank's total lending commitments, including affiliates, rose from \$20.6 billion in fiscal 1988 to \$23 billion

in fiscal 1989, a record that Mr. Aguirre-Sacasa said would probably be exceeded this year.

Among the affiliates, the International Finance Corp., which focuses on promoting the private sectors in poor countries — said it had boosted investments last year to \$1.7 billion. Sir William Kyrie, executive vice president, said his agency had now completed a five-year expansion program in which it began to offer its member countries a much wider range of services.

Another principal bank affiliate, the International Development Association, which makes long-term grants to the poorest of the poor nations — where per capita annual income is under \$480 — said it had boosted its actual disbursements to \$3.6 billion from \$3.4 billion in 1987.

In negotiations beginning this week, the association's officials will seek a new three-year funding of approximately \$15 billion to keep pace with the current \$12.4 billion three-year program.

In its first annual report, the Multilateral Investment Guarantee Agency — the newest bank affiliate, that aims to restimulate the flow of investments into Third World countries — said it received 69 preliminary applications for assistance from 24 countries.

Officials said that the total flow of direct foreign investment going to developing countries had fallen to \$13 billion in 1987 from \$25 billion in 1982.

The new agency, set up in April 1983, provides guarantees against specified noncommercial risk, such as expropriation, war, civil disturbance, and a host government's breach of contract.

Manila Agrees To Terms for Debt Package

Reuters

MANILA — The Philippines said Sunday it had finalized terms with a 12-member advisory committee of its commercial bank creditors on a debt-relief and financing package which would provide about \$1 billion in fresh lending.

The presidential palace said in a statement that the country's major commercial-bank lenders could be expected to commit around \$900 million while the smaller creditors would provide the remainder.

The Philippines would also buy back at a "substantial discount" debt from banks that did not wish to provide new money, the statement said.

The Philippines announced an outline deal with the 12-member committee, chaired by Manufacturers Hanover Corp., in mid-August, and resumed talks Tuesday in New York aimed at finalizing the package.

The Philippine debt negotiating team is also engaged in discussions intended to finalize arrangements for the provision of the official resources that will be utilized in the debt-repurchase offer, the government statement added.

It said preliminary indications were that \$1.2 billion to \$1.4 billion of certain categories of debt would be offered for repurchase in 1989.

It made no mention of the level of discount envisaged for the buy-back.

CITIC Sees Profit Drop For 1989

Agence France-Press

BEIJING — China's biggest investment agency, hit by a fine equivalent to \$5 million last month for business irregularities, has forecast a drop in profit this year, it was reported here Sunday.

Yang Guangqi, vice president of China International Trust & Investment Corp., was quoted in the China Daily newspaper as saying that profit and investment would fall below 1988 levels.

He cited what China Daily called "the current domestic situation" to explain the drop, but did not provide specific forecasts.

CITIC, founded 10 years ago, earned nearly 240 million yuan (\$64.5 million) last year. It had set aside 6.3 billion yuan for domestic and foreign investments this year.

Last month, following a 10-month state audit, CITIC was ordered to pay 18.1 million yuan in fines for business irregularities.

Mr. Yang said the offenses, which mostly involved CITIC subsidiaries, included tax evasion, unauthorized foreign-exchange dealings and the resale of production materials for profit.

Soviet Paradox: Reforms Lift Rates

By Carl Gewirtz

International Herald Tribune

PARIS — Loans to Eastern Europe are rapidly rising on the list of things that keep Western bankers awake at night.

"It's still only at the stage of scratching your head wondering about the outcome," said a loan officer for a U.S. bank, "but there definitely is a market-wide reappreciation going on. Clearly there are second thoughts on the quality of the area's credit and pricing."

East European debt to Western banks is estimated at about \$87 billion, well below Latin America's \$210 billion. But whereas banks in North America and Japan are the largest creditors to Latin America, Western European banks hold the bulk of Eastern Europe's debt.

Loan officers say they are worried about the economic impact on East Germany of the exodus of its educated youth to West Germany, Poland's experiment in a non-Communist government and, most of all, by the political stability of the Soviet Union.

Senior bankers question how long Mikhail S. Gorbachev can survive as the Soviet leader, giving him at most nine months to harness the political and economic chaos that he has unleashed or be overthrown in a putsch.

"It's a paradox," said a British banker, referring to Mr. Gorbachev's proposed reforms, "but what's good news politically is not such good news economically."

The credit reappreciation now under way does not mean new money is

not available. But it does mean greater reluctance by banks to make additional commitments.

This is demonstrated by the latest offering in the Eurobond market by Russia's Vneshconbank, which is seeking 500 million Deutsche marks (\$254.5 million) for seven years.

The state bank previously issued bonds denominated in marks, Aus-

trian schilling and guilders — ostensibly to diversify its source of funding away from the banks. But bankers say that issuing bonds is primarily aimed at avoiding the syndicated-loan market, where an increase in Soviet borrowing charges would be more apparent.

The Soviet's ability to tap the loan market is constrained by more than just the uncertain longevity of Mr. Gorbachev's hold on power. The Japanese have been refraining from lending to the Soviet Union as an additional lever to advance talks on the return of the Kuril Islands, which have been occupied by the Soviet Union since the end of World War II.

European banks are not eager to participate in purely financial credit, since the Soviets have arranged five-year credit lines with national syndicates of German, French, British and Italian banks aimed at financing exports to the Soviet Union.

To entice reluctant borrowers, the Soviets need to raise the price they offer to pay. In June, for example, they syndicated a \$150 million, eight-year credit, paying an

average 25 basis points over the benchmark London interbank offered rate. That was already double the record low 12 1/2 basis points they paid to borrow in 1987.

Including underwriting fees, the Soviets last June were effectively paying 40 basis points over Libor.

Judging by the terms on the latest DM Eurobond, the borrowing charge has risen substantially since then. Bonds and bank loans are of course different financial products, but bankers say that even so, the yield on the latest bond is a fair reflection of the higher price the Soviet Union now needs to pay.

The bonds were issued bearing a fixed coupon of 7 1/2 percent and priced at 100 1/4 with total fees — including the listing charge — of 2 1/4 percent. The terms were sufficiently generous to enable banks to swap the instrument into a floating-rate asset yielding 55 basis points over the interbank rate.

In the corporate sector of the credit market, Credit Suisse First Boston is organizing a loan to help finance part of Polly Peck's \$875-million purchase of the fresh-fruit operations of RJR Nabisco Inc.

A Dutch affiliate of Polly Peck, PFI Del Monte Fresh Produce BV, is seeking \$550 million in a nonrecourse financing that it will repay from the cash-flow it generates. The financing includes \$475 million on an eight-year amortizing term loan, having an average life of six years and \$75 million of working capital as a three-year even-ten, whose maturity each year is extended by one year.

Fears Over Junk Bonds Help Boost Treasuries

Compiled by Our Staff From Dispatches

NEW YORK — The bond market, analysts say, last week broke free of the stupor that had stymied activity for several late-summer trading sessions.

The analysts said that renewed speculation over easing by the Fed-

eral Reserve Board and signs of trouble in the junk-bond market spurred a flight to safer U.S. Treasury issues.

U.S. CREDIT MARKETS

Smith Barney, Harris Upham & Co., in "Credit Market Comment," said that "it was 'special events' more than fresh insights into the economy's fate that livened things up and caused a pronounced shift in the shape of the yield curve."

"The financial difficulties of Campeau Corp. was the single biggest factor in the market this week," the Smith Barney analysts added, referring to the troubled company's Friday deadline to refinance a \$401.3 million loan and make interest payment on bonds.

"The threat that Campeau was in danger of missing an interest payment on Friday caused the junk bond market to grow quite skittish, leading to a flight to safety in short-term Treasuries," the report said.

It also noted the Fed was sending "mixed signals" showing "an easing can no longer be fully ruled out."

"The Fed does not appear to be as committed to defending the 9 percent level on fed funds as previously was the case," it said.

Five-year Treasury notes closed at 100 3/32 last week to yield 8.01 percent, down from 8.16 the week before, while two-year Treasury notes closed at 100 11/32 to yield 8.05, down from 8.27.

Six-month Treasury bills ended the week at a discount rate of 7.57 percent from the previous week's 7.76, while three-month Treasury bills ended the week at a discount rate of 7.55 percent, down from 7.76 a week earlier.

Shearson Lehman Hutton Inc.'s index of long-term Treasury bonds rose 5.4 Friday to close the week at 1,346.03.

Friday's trading in Treasuries was uncommonly wild, dealers said, with prices ending higher and yields tumbling.

Dealers attributed the erratic behavior of various markets, including the fixed-income market, to a spate of unfounded rumors, including one that the president had been shot and another that a large bank had failed.

"On top of the wild rumors, we had a flood of economic data that also buffeted all the markets, par-

ticularly the currency market," said William V. Sullivan Jr., senior vice president at Dean Witter Reynolds.

Early in the day, the government reported that the U.S. trade deficit fell to \$7.58 billion in July, from a revised \$8.01 billion in June; that the producer-price index for August was down 0.4 percent, the third straight monthly drop; that industrial production rose 0.3 percent in August, compared with a revised increase of 0.1 percent in July, and that business inventories climbed 0.6 percent in July.

One measure of the bond market's volatility, Mr. Sullivan noted, was the price fluctuation in the Treasury's benchmark long bond, the 8 1/4 percent issue maturing in 2019.

Based on initial reactions to the economic data, the long bond fell to an intraday low of 99 27/32. But in early afternoon, when the impact of the rumors had been erased, Japanese financial institutions began to buy the long bond and the price soared to an intraday high of 100 28/32.

(UPI, NYT)

Euromarkets At A Glance

Eurobond Yields

U.S. \$	Yrs	Over	Yield	Yield
U.S. \$	3 to 5 yrs	8 1/2	8 1/2	8 1/2
U.S. \$	5 to 7 yrs	8 3/4	8 3/4	8 3/4
U.S. \$	7 to 10 yrs	8 1/2	8 1/2	8 1/2
U.S. \$	10 to 15 yrs	8 1/2	8 1/2	8 1/2
U.S. \$	15 to 20 yrs	8 1/2	8 1/2	8 1/2
U.S. \$	20 to 25 yrs	8 1/2	8 1/2	8 1/2
U.S. \$	25 to 30 yrs	8 1/2	8 1/2	8 1/2
U.S. \$	30 to 35 yrs	8 1/2	8 1/2	8 1/2
U.S. \$	35 to 40 yrs	8 1/2	8 1/2	8 1/2
U.S. \$	40 to 45 yrs	8 1/2	8 1/2	8 1/2
U.S. \$	45 to 50 yrs	8 1/2	8 1/2	8 1/2
U.S. \$	50 to 55 yrs	8 1/2	8 1/2	8 1/2
U.S. \$	55 to 60 yrs	8 1/2	8 1/2	8 1/2
U.S. \$	60 to 65 yrs	8 1/2	8 1/2	8 1/2
U.S. \$	65 to 70 yrs	8 1/2	8 1/2	8 1/2
U.S. \$	70 to 75 yrs	8 1/2	8 1/2	8 1/2
U.S. \$	75 to 80 yrs	8 1/2	8 1/2	8 1/2
U.S. \$	80 to 85 yrs	8 1/2	8 1/2	8 1/2
U.S. \$	85 to 90 yrs	8 1/2	8 1/2	8 1/2
U.S. \$	90 to 95 yrs	8 1/2	8 1/2	8 1/2
U.S. \$	95 to 100 yrs	8 1/2	8 1/2	8 1/2

Source: Euromarkets

Weekly Sales

U.S. \$	Yrs	Over	Yield	Yield
U.S. \$	3 to 5 yrs	8 1/2	8 1/2	8 1/2
U.S. \$	5 to 7 yrs	8 3/4	8 3/4	8 3/4
U.S. \$	7 to 10 yrs	8 1/2	8 1/2	8 1/2
U.S. \$	10 to 15 yrs	8 1/2	8 1/2	8 1/2
U.S. \$	15 to 20 yrs	8 1/2	8 1/2	8 1/2
U.S. \$	20 to 25 yrs	8 1/2	8 1/2	8 1/2
U.S. \$	25 to 30 yrs	8 1/2	8 1/2	8 1/2
U.S. \$	30 to 35 yrs	8 1/2	8 1/2	8 1/2
U.S. \$	35 to 40 yrs	8 1/2	8 1/2	8 1/2
U.S. \$	40 to 45 yrs	8 1/2	8 1/2	8 1/2
U.S. \$	45 to 50 yrs	8 1/2	8 1/2	8 1/2
U.S. \$	50 to 55 yrs	8 1/2	8 1/2	8 1/2
U.S. \$	55 to 60 yrs	8 1/2	8 1/2	8 1/2
U.S. \$	60 to 65 yrs	8 1/2	8 1/2	8 1/2
U.S. \$	65 to 70 yrs	8 1/2	8 1/2	8 1/2
U.S. \$	70 to 75 yrs	8 1/2	8 1/2	8 1/2
U.S. \$	75 to 80 yrs	8 1/2	8 1/2	8 1/2
U.S. \$	80 to 85 yrs	8 1/2	8 1/2	8 1/2
U.S. \$	85 to 90 yrs	8 1/2	8 1/2	8 1/2
U.S. \$	90 to 95 yrs	8 1/2	8 1/2	8 1/2
U.S. \$	95 to 100 yrs	8 1/2	8 1/2	8 1/2

Source: Euromarkets

Labor Rates

Convert.	261.20	692.10	716.90	664.10
FRNs	580.50	582.70	3,401.40	553.20
ECP	2,346.50	1,550.20	3,460.20	1,803.10
Total	7,056.30	8,458.00	20,487.90	10,379.80

Source: Euroclear, Cedei.

OTC Consolidated trading for week ended Friday, Sept. 13

OTC Consolidated trading for week ended Friday: Sept. 13

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(Continued on next page)

SA 1001

Reviews

LONDON — Failure of the International Cocoa Organization to save a price-support pact has left cocoa prices vulnerable to a glut forecast for the sixth season running, traders said Sunday.

Producers and consumers ended five days of talks in London on Saturday without reaching a compromise to rescue the accord, which has just over one year to run.

Their failure will put further pressure on prices, already suffering from a surplus on the world market. Traders have forecast the glut will continue into a sixth season which runs from next month until September 1990.

"Weak prices hurt both sides," one London trader said. "Consumers know it is no good for them in the long run if producers suffer and neglect their plantations."

Conflict between producers and consumers since early 1988 over what price range should be defended was worsened by large debts to the international organization, mainly owed by Ivory Coast.

Total debts reached \$115 million by the end of July.

If the pact is not extended he-

yond September 1990 or renegotiated, its 250,000-ton cocoa buffer stock — accumulated in a vain attempt to prop up prices — will be sold over four-and-a-half years.

Producer and consumer spokesmen said the two sides would hold fresh talks in December to try to save the pact.

"I think everybody is interested in continued international cooperation in cocoa, but the form can vary," said Peter Baron, a consumer spokesman of West Germany.

"Whether it will be the same as we had or not is a big question."

"I am optimistic," said a producer spokesman, Momo Mohammed of Ghana. "We still have a chance to get together."

But industry sources at the talks said failure meant the pact was finished as a market force.

Hopes of a compromise were dashed at the last moment when the European Community and Ivory Coast said they would abstain from voting, depriving the package of majority support.

The community is the organization's largest consumer group member, while Ivory Coast the world's largest producer.

New York Times Service
NEW YORK — Unionized machinists at United Airlines are expected to begin talks soon on joining in a newly approved buyout of the U.S. airline's parent by a group including pilots, management and British Airways.
Leaders of the International Association of Machinists and Aerospace Workers, which

The proposal was accepted last week by the independent directors of UAL Corp., the parent.

The United unit of the Association of Flight Attendants has been in talks for several days on whether to participate in the buyout.

The machinists are seeking to resolve a dispute over confidentiality: The buyout group wants the machinists' leaders to sign an agreement not to disclose the terms of the proposal even to their members.

Uncertainty about the formation of a new government after the Sept. 6 general election continued to keep investors away from the market.

Strong underlying economic fundamentals limited losses, however, and the CBS general index closed the week at 209.50, down one point from the previous week's close. Volume was very low.

Release of positive U.S. trade figures brought no change in the lackluster mood, and according to the Kempen & Co. brokerage, this situation is set to continue.

The market fell back heavily following its surge the week before, as investors took profits or adopted holding positions.

Shares slipped back below even the most pessimistic forecasts, and the DAX index closed Friday at 1,595.31, down 62.30 points on the week. The Commerzbank index also fell sharply, losing 55.4 points to 1,996.7.

Trading volume dipped to 26.11 billion Deutsche marks from 36.86 billion DM the week before.

Dealers attributed the losses to several negative factors, including a disappointing half-year result for

The market was quiet, with investors remaining on the sidelines ahead of a long weekend. The exchange was closed Friday for the Moon Festival.

The Hang Seng Index lost 7.81 points on the week to close at 2,612.53 on Thursday afternoon.

2.612.82 on Thursday, after gaining a hefty 111.72 points the previous week. The broader-based Hong Kong index dropped 5.87 points to 1,723.05.

Average daily turnover dwindled to 787 million Hong Kong dollars from the previous week's 844 million.

Dealers said a public appearance Saturday by the senior Chinese leader, Deng Xiaoping, would help dispel speculation about his health and serve as a positive indicator for the market.

London

The market suffered one of its worst cases of jitters this year, with turnover slowing to a trickle as

FTSE 100-share index closed down 57.4 points on the week at 2,366.5. The downturn was temporarily halted in midweek, largely thanks to a burst of corporate activity after a flood of big-name interim results and news of the successful sale of BP's North Sea assets, but by Friday the market was in full flight once again, ignoring better-than-expected British inflation figures and the decline in the U.S. trade deficit.

Confidence was rocked early on when the electronics major Ferranti asked for suspension of its shares pending inquiries into over-

Milan

The market snapped back from the previous week's losses and the MIB index finished up 2.17 percent at 1,225. The Comit index closed at 726.30, against 711.26 the previous Friday.

Analysts said the effects of the BNL scandal seemed to have passed, and demand for stock intensified. An average of 60 million shares a day were traded, against 55 million the previous week.

Banks were strong, with NBA up 8.68 percent on the week on rumors that Generali would acquire a stake. Comit rose 5.93 percent and

Paris

French and foreign investors were cautious all week, awaiting publication of various economic indicators and then failing to react to them. The SBF (formerly CAC) index finished the week with a slight loss at 538.4, against 540.5 the previous Friday.

One positive factor was the small rise in French inflation, of 0.2 percent in August against 0.3 percent in July. But there was pessimism over the continuing strike at Peugeot.

Analysts noted that trading is

traditionally dull at this time of year because of payment of provisional income taxes.

Singapore

Share prices succumbed to profit-taking following the lackluster performance on overseas markets. The Straits Times industrial index closed at 1,411.81 Friday, a loss of 7.88 points for the week. The ST Index had gained 55.96 points the previous week.

Turnover fell to 414.46 million shares from the previous week's 555.5 million.

On Wednesday, the ST index hit a post-October 1987 high of 1,420.52, but it slipped Thursday before posting a marginal gain on

Tokyo

Prices rebounded after three straight weeks of decline. The Nikkei average of 225 blue chips gained 286.07 yen during the holiday-shortened week to close at 34,401.88 Thursday. The broader-based Topix indicator posted a 35.31-point gain to wind up the week at 2,618.43.

Average daily volume rose to 642.5 million shares from 594.8 million shares the prior week.

Dealers said the advance was helped by the apparent slowing of the dollar's rise against the yen.

The Nikkei fell Wednesday following gains on Tuesday, however, because institutional investors remained skeptical about exchange-rate stability ahead of the U.S. trade figures for July, analysts said.

Zurich

The market dropped steadily until Friday, and the Credit Suisse index fell to 651.4 for the week, down from 670.2 the previous Friday. The Swiss Bank Corp. indicator ended at 690.1, against 707.5.

Traders said the performance was due to the dollar's rise and higher interest rates, especially for corporate notes in Switzerland. The combination of these factors led to profit-taking in almost all sectors.

OTC Consolidated trading for week ended Friday.

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September 1989



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MONDAY SPORTS

No. 1 Irish Beat No. 2 Michigan on Ismail's 88- and 92-Yard Returns

Continued from Page 1

In the Rocket's red glare, Notre Dame has retained its ranking as the No. 1 college team in the United States.

Second-half kickoff returns of 88 and 92 yards by Reggie Ismail, the slender Notre Dame sophomore called Rocket, became the difference Saturday in a 24-19 victory over No. 2 Michigan in Ann Arbor, Michigan.

The Irish (2-0) extended the

country's longest major-college winning streak to 14, ended Michigan's 10-game unbeaten streak in the Wolverines' opening game and became the first team in the 21 years Bo Schembechler has coached at Michigan to defeat his teams for three consecutive years.

"That may be the fastest guy I've ever seen," Schembechler said of Ismail, who scorched the Wolverines at the start of the second half and again in the fourth quarter af-

ter they had closed to 17-12. "He's faster than the speed of sound. We couldn't tackle him."

Ismail's returns provided most of the excitement on a dark and dreary day. Rain fell all morning and into the afternoon, leaving the artificial turf soggy and slippery, and the Irish played it safe: cautious on offense, aggressive on defense.

"We didn't want to give Michigan anything it didn't earn," said their

coach, Lou Holtz. The Irish didn't; they did not give up a turnover.

COLLEGE FOOTBALL

After a first half that ended with Notre Dame leading 7-6, only because an extra-point kick by Michigan's J.D. Carlson banged off the left upright post, Ismail took the second-half kickoff, ran through a hole in the middle of the defense and sprinted down the right sideline.

"Our front line made the initial contact and created a decent-sized crease and then the back wall in front of me surged through and picked up the guys who were left," Ismail said of the 88-yard return. "It was nice."

No one had returned a kickoff for a touchdown against Michigan since Oct. 26, 1957, when Minnesota's Ron Engel ran one 95 yards. Notre Dame increased its lead to 17-6 on Craig Hestrich's 30-yard field goal, but Michigan then drove 61 yards for a touchdown behind Elvis Grbac, a backup quarterback playing his first college game.

Grbac replaced starter Michael Taylor, who bruised his back in the third quarter, and completed 17 of 21 passes for 134 yards and two touchdowns. But he missed on a two-point conversion throw with 13 minutes left.

Then came Ismail's second touchdown. He took the kickoff at the eight-yard line, broke free from

the grasp of Brian Townsend at the 25 and raced up the left sideline.

Ismail, who returned two kickoffs for touchdowns last season against Rice, has returned four for scores in his 14 games, breaking the school record held by Tim Brown.

Notre Dame limited Michigan to 94 yards rushing.

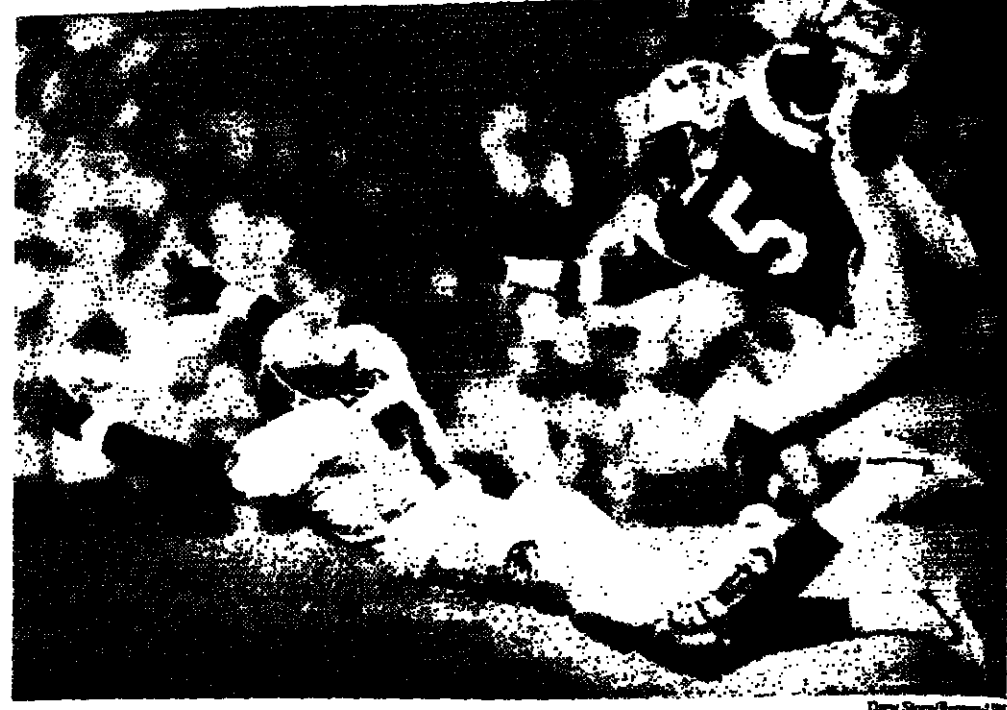
Miami 31, California 3: In Miami, Craig Erickson overcame four interceptions and four sacks with three touchdowns passes as the Hurricanes, ranked No. 3 in The Associated Press poll, won their 27th straight at the Orange Bowl.

Nebraska 42, Utah 38: In Lincoln, Nebraska, Ken Clark ran for 130 yards and two touchdowns and quarterback Gerry Gdowski had three scoring runs and 98 yards for the No. 4 Cornhuskers.

Auburn 24, Southern Mississippi 3: In Auburn, Alabama, James Joseph rushed for a career-high 149 yards on 23 carries and Lamar Rogers led a relentless Auburn defense. The No. 5 Tigers held an opponent without a touchdown for the second straight week.

Arizona 6, Oklahoma 3: In Tucson, Arizona, Doug Plaff kicked a 40-yard field goal with two seconds remaining as unranked Arizona shocked the No. 6 Sooners. The Wildcats started from their 41 and drove 37 yards on 12 plays in 5:15 to set up Plaff's game-winner.

Clemson 27, Virginia Tech 7: In Blacksburg, Virginia, tailback Ter-



A first-quarter Florida State pass eluded receiver Ronald Lewis and LSU defender Jimmy Young.



Fullback Anthony Johnson, dragging defender Lance Dotts, battered Michigan on the opening drive, but then was stopped for no gain at the three-yard line and the Irish missed on a field goal.

Here's a Potential Fumble, Even on Replays

A broadcaster's worst nightmare? When Arizona quarterback George Mamula drove back to pass, behind the protection of tackle Nick Fincannon, and throws to flanker Olatide Ogundimu.

In Soccer's Battles, the War Goes On — and On NHL's Priakin: 2 Soviet Firsts

Continued from Page 1

PARIS — Officials of the French first division soccer club in Nice are to meet Monday to decide how to punish goalkeeper Fabien Piveteau for attacking teammate Tony Kurbo.

The Yugoslav-born striker was recovering in a hospital Sunday after being kicked in the face by Piveteau during a training session Friday. Kurbo, 28, was rushed to the

hospital unconscious and needed several stitches for a gash inside his mouth. He still had a concussion.

Piveteau, 25, had gained notoriety earlier this season as the first player to be sent off a field in France. He was expelled in the opening game after attacking the referee in a dispute over a goal Nice had conceded. He since has been dropped from the first team.

■ In Athens, 10 Welsh soccer

fans have been given 16-month prison sentences after being found guilty of a drunken rampage through an Athens suburb following the defeat of their team, Swansea, in a European Cup Winners' Cup match.

The 10 were still wearing their torn and bloodied clothes from Friday night, when they and four others were alleged to have wrecked a restaurant, two bars, five cars and to have fought police, when

a three-judge court handed down the sentences Saturday.

The court said the 10 could buy off their sentences at 400 drachmas (\$2.35) a day, or almost \$1,240 for the full sentence. The other four were freed by the court.

The 14 claimed they had been provoked by Greek fans.

■ In Belgrade, the Tanjug news agency reported Saturday that about 50 Greek soccer fans had demolished a duty-free shop at the Yugoslav-Greek border last Wednesday as they returned from Athens Olympics.

UEFA Cup match against Rad Belgrade. The report said the shop's staff had been beaten up and that whiskey, cigarettes, watches and other goods had been stolen.

■ In Antwerp, police reported jailing 65 soccer fans Saturday night following riots before and during the match between Beerschot and cross-town rival FC Antwerp.

During clashes between rival fans and police, a tram, several cars and other property was damaged. Most of those jailed were released Sunday, but one man remained in jail and was placed under arrest.

■ In Marseille, star striker Jean-Pierre Papin was supposed to be out of the lineup with an injury for Saturday night's match against St. Etienne.

But Papin surprised St. Etienne and 31,000 Marseille fans at the stadium by scoring two second-half goals that gave the defending first division champions a 2-0 victory.

Papin, the league's leading scorer, now has nine goals in as many games. (Reuters, AP, AFP)

NHL's Priakin: 2 Soviet Firsts

The Associated Press

KIEV, U.S.S.R. — Sergei Priakin has become the first member of the Soviet national team to score for an National Hockey League team, on a first-period breakaway in the Calgary Flames' 5-2 victory over the New York Islanders.

Priakin, who became the first member of Soviet national team to play in the NHL when he joined the Flames near the end of last season, also apparently is the first Soviet to score a goal for a foreign club against a Soviet team.

The only other Soviet to have scored in the NHL is Victor Nechaev, who got one goal in three games for the Los Angeles Kings in 1982-83. But Nechaev never played on the Soviet national team.

Several other national team players have followed Priakin, 25, into the NHL this fall. Among them is his teammate on the Flames, Sergei Makarov, who had an assist in Saturday's game.

Priakin, a right wing not known for his offense, did not score in two games for the Stanley Cup champion Flames last season.

The Muscovite took a pass from Brian MacLellan and beat Kiev goalie Yuri Shadrin at 5:39 of Saturday's game.

The Washington Capitals, the other NHL team now touring the Soviet Union, defeated Moscow Spartak, 8-7, in overtime on Friday night and were to play Dynamo Moscow on Sunday night.

SIDELINES

Argentine Golfer Wins at Lancome

ST-NOM-LA-BRETECHE, France (Reuters) — Eduardo Romero of Argentina clinched in from 40 yards (36 meters) for an eagle-3 at the 16th hole, then held on Sunday to defeat a world class field in the Lancome Trophy golf tournament.

The 35-year-old Argentine got his first victory in Europe with a final round four-under-par 66 to win by a single stroke over European Ryder Cup player Bernhard Langer of West Germany and Jose Maria Olazabal of Spain. They each carded 65 (see Scoreboard). Second- and third-round leader Peter Fowler of Australia shot 70 and finished fourth.

England's Nashwan Beaten First Time

PARIS (Reuters) — Nashwan, winner of the 2,000 Guineas and Derby in England, was beaten Sunday for the first time when he finished only third, 1 1/2 lengths behind Golden Pheasant and French Glory, at Longchamp.

Nashwan, hailed by some as one of the best horses in four decades, was using the Prix Niel as a warm-up for his final objective, next month's Prix de l'Arc de Triomphe. His handlers said a decision on the Arc would be made following tests on the colt.

For the Record

Ivan Ivanov, 18, the Bulgarian junior world champion in the flyweight (up to 52 kilograms) division, set world records of 155 kilograms in the jerk and of 272.5 kilograms total for the jerk and snatch Sunday as the world weight lifting championships began in Athens.

Easy Goer, the odds-on favorite beaten in the Kentucky Derby and the Preakness, won the Woodward Handicap on Saturday at Belmont Park to add to his consecutive triumphs in the Belmont Stakes, the Whitney Handicap and the Travers Stakes.

Kennedy McKinnon, the U.S. Olympic boxing gold medalist, was released from jail in Las Vegas; authorities said charges of allegedly abusing a teen-age girl probably would be dropped for lack of evidence. (AP)

The International Tennis Federation voted to suspend South Africa "until that country abandons its policy of apartheid." (UPI)

New Zealand's rugby selectors have chosen for the 30-man squad that will play 14 tests against British, Welsh and Irish teams in October and November all but one of 22 on the team that defeated France, Argentina and Australia this summer. The only exception was flanker Michael Jones, out of a serious knee injury. (AFP)

Marlon Starling defended his WBC welterweight title with a unanimous, 12-round decision Friday in Hartford, Connecticut, over top-ranked contender Yung Kil Chung of South Korea. (AP)

(NYT, LAT, AP, UPI)

Coe Wins Finale in Britain, But Declines a Run for PM

The Associated Press

LONDON — Sebastian Coe has bid farewell to his British fans — but is not about to take a bet that he will be the prime minister of Britain by the year 2010.

After winning his 800-meter race in a leisurely 1 minute, 45.70 seconds at an emotional meet at the Crystal Palace, Coe, interviewed over the public address system, was told Friday night that a London bookie was offering odds of 3-1 that Coe would win the 1,500-meter gold in next January's Commonwealth Games in New Zealand, odds of 7-1 that he would be a government minister by the end of the century and odds of 66-1 on his becoming prime minister by 2010.

Coe, a keen fan of the Chelsea soccer club, laughed and said to the crowd of 16,000 packed into the stadium: "They don't quote Chelsea to win the league, do they?"

Coe, who turns 33 on Sept. 29, said Thursday he would retire from sport after the Commonwealth Games. His appearance in the McVitties Challenge Invitation meet was his last on a British track.

Kenyan world champion Billy Konchella acted as a pacesetter, dropping out with 300 meters left to allow Coe an untroubled journey to his final triumph in Britain.

After retiring from competition, he plans to take up a full-time political career.

But as for his government possibilities, Coe added: "That's all a long way down the road. Very fanciful, very hypothetical."

Gataullin Vaults 6 Meters

Rodion Gataullin of the Soviet Union has become the second man to pole vault six meters (19 feet, 8 1/2 inches) outdoors. Reuters reported Saturday from Tokyo.



Coe: 'Long way down the road.'

Gataullin, who holds the world indoor mark, followed compatriot Sergei Bubka into the record books when he vaulted six meters exactly at an international track and field meet. He then made three attempts at 6.09 meters but was unable to beat Bubka's year-old world record of 6.06.

DENNIS THE MENACE



AND A SIDE ORDER OF FRIES TO GO

JUMBLE

THAT SCRAMBLED WORD GAME

Unscramble these four letters, and you'll have a word from our ordinary words.

TANGE

STUCO

RYNWIT

KEWRAH

Now arrange the circled letters to form the words. As they appear in the above cartoon.

Answer: TANGE, STUCO, RYNWIT, KEWRAH

Author: CHUTE, SMOOP, DANIEL, THEORY

Sat. 20-21

Answer: he's the "menace" in his own home just as long as he does this—WHAT HE'S TOLD

Seize the world.

The International Herald Tribune.

Bringing the World's Most Important News to the World's Most Important Audience.

PEANUTS



MY GRAMPA SAYS HIS AMBITION IS TO BE A PERFECT GRANDPARENT

WHAT DOES HE CALL A PERFECT GRANDPARENT?

SOMEBODY WHO'S MADE AT LEAST ONE HOLE IN ONE.

Author: CHARLES M. SCHULZ

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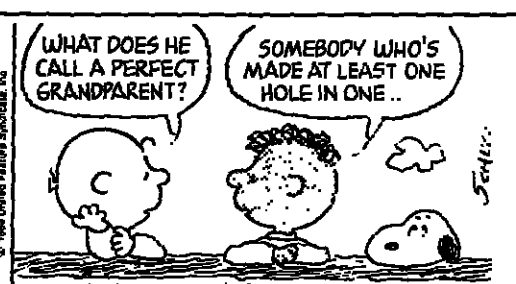
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ANDY CAPP



I DON'T KNOW IF THERE'S UP TO THE EYES IN THE NOSE, BUT NO MONEY OUT OF IT

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WIZARD of ID



IS THERE ANY PLACE TO GAMBLE IN THIS TOWN?

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REX MORGAN



DO YOU KNOW SOMETHING? I REMEMBER MY NAME! IT'S KAREN HARTLEY!

Author: REX MORGAN

Author: REX MORGAN

Author: REX MORGAN

Author: REX MORGAN

MONDAY SPORTS

Cunningham Leads Eagles Past 'Skins With 5 TD Passes

The Associated Press
Wes Hopkins ran 77 yards with a lateral after a fumble recovery, setting up Randall Cunningham's third touchdown pass to Keith Jackson with 52 seconds left, and the Eagles rallied for an improbable 42-37 victory over the Washington Redskins in a National Football League game Sunday in Washington.

Cunningham's fifth scoring pass of the day capped a Philadelphia rally in which the Eagles scored two touchdowns in the final 1:48, overcoming a 37-28 deficit. Cunningham completed 34 of 46 passes for 497 yards as Philadelphia capitalized on six turnovers by Washington, which led 20-0 at one point.

The key play occurred with the Redskins leading 37-35 and run-

completing at one point, moved the Packers 80 yards in 55 seconds on the winning drive that was capped by Sharpe's touchdown and an extra point by Chris Jackson.

The key to the drive was a string of three straight Majkowski completions to rookie Jeff Quay that covered 49 yards to the 3.

Browns 38, Jets 24: In Cleveland, Bernie Kosar threw touchdown passes to three different receivers and Thane Gash returned an interception 36 yards for Cleveland's fourth defensive touchdown in two games for the Browns.

The Browns, 2-0, had scored two touchdowns on fumbles and one on an interception in last week's 51-0 victory at Pittsburgh. They intercepted New York's Ken O'Brien a career-high four times, giving Cleveland 12 takeaways in two games.

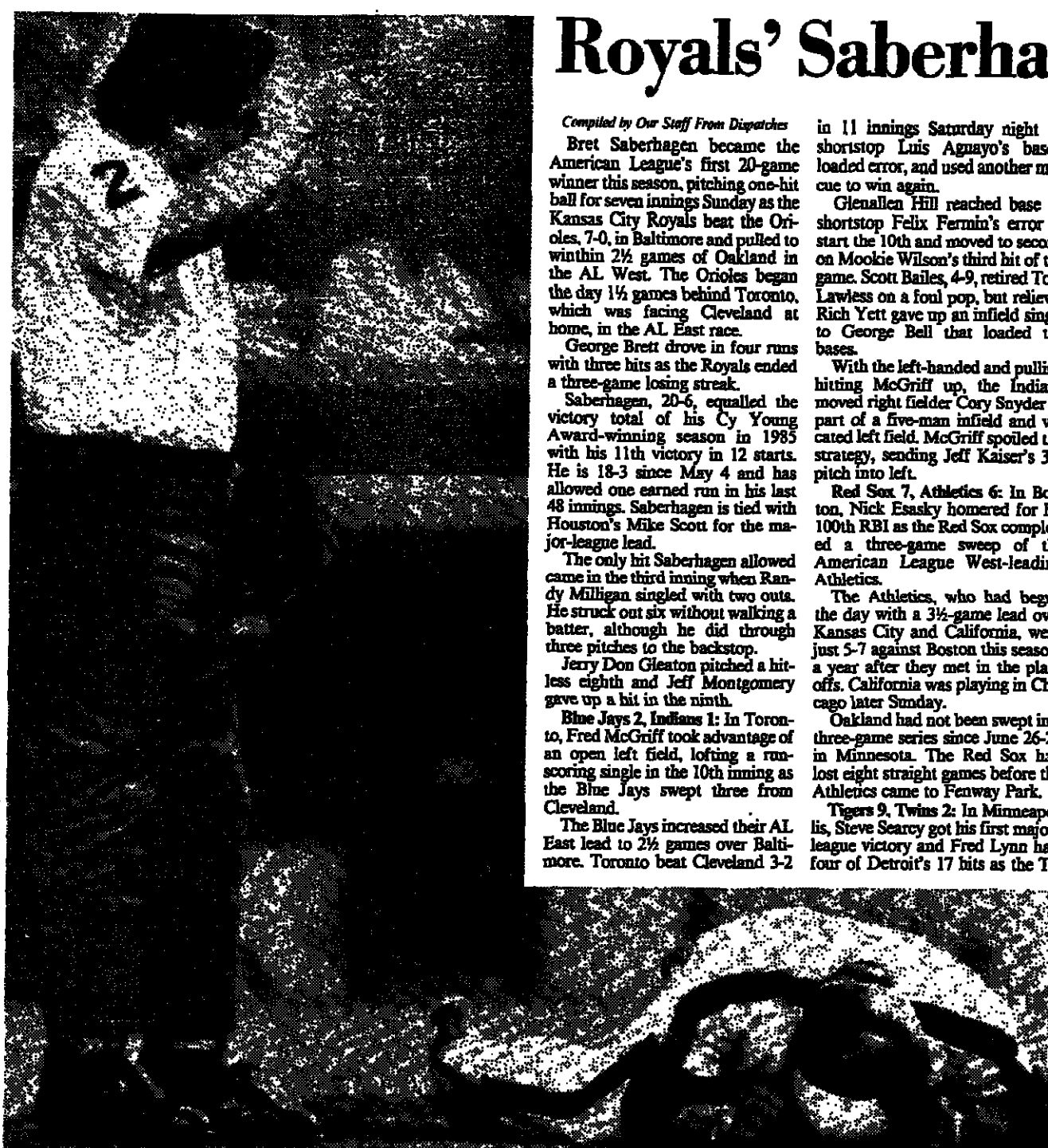
It marked the first meeting of Cleveland head coach Bud Carson and the Jets, the team he served as defensive coordinator the last four years.

Bengals 41, Steelers 10: In Cincinnati, Eddie Brown, fresh from a contract holdout, scored a touchdown on his first catch to ignite Cincinnati's offense in a 41-10 rout of Pittsburgh, the Steelers' second consecutive blowout.

Brown, who ended his holdout after signing a four-year, \$3.6 million contract last week, muck behind the Steelers' defensive secondary for a 27-yard touchdown that put the Bengals ahead to stay in a 17-point second quarter.

The Steelers never recovered, suffering their second straight one-sided loss. It is only the fourth time in 21 years under Coach Chuck Noll that the Steelers have opened the season with consecutive losses.

Cincinnati (1-1) ran its home-field winning streak to 11 games by beating a 20-3 halftime lead.



Habie Brooks, hit by a pitch, didn't see Jerry Crawford point him toward base. The Expos, with four runs in the first, routed the Mets.

Royals' Saberhagen Wins 20th

Compiled by Our Staff From Dispatches

Bret Saberhagen became the American League's first 20-game winner this season, pitching one-hit ball for seven innings Sunday as the Kansas City Royals beat the Orioles, 7-0, in Baltimore and pulled to within 2½ games of Oakland in the AL West. The Orioles began the day 1½ games behind Toronto, which was facing Cleveland at home, in the AL East race.

George Brett drove in four runs with three hits as the Royals ended a three-game losing streak.

Saberhagen, 20-6, equalled the victory total of his Cy Young Award-winning season in 1985 with his 11th victory in 12 starts. He is 18-3 since May 4 and has allowed one earned run in his last 48 innings. Saberhagen is tied with Houston's Mike Scott for the major-league lead.

The only hit Saberhagen allowed came in the third inning when Randy Milligan singled with two outs. He struck out six without walking a batter, although he did throw three pitches to the backstop.

Jerry Don Gleason pitched a hitless eighth and Jeff Montgomery gave up a hit in the ninth.

Breeds 2, Indians 1: In Toronto, Fred McGriff took advantage of an open left field, lofting a run-scoring single in the 10th inning as the Blue Jays swept three from Cleveland.

The Blue Jays increased their AL East lead to 2½ games over Baltimore. Toronto beat Cleveland 3-2

in 11 innings Saturday night on shortstop Luis Aguayo's bases-loaded error and used another miscue to win again.

Glenallen Hill reached base on shortstop Felix Fermin's error to start the 10th and moved to second on Mookie Wilson's third hit of the game. Scott Bailes, 4-9, retired Tom Lawless on a foul pop, but reliever Rich Yeti gave up an infield single to George Bell that loaded the bases.

With the left-handed and pulling hitting McGriff up, the Indians moved right fielder Cory Snyder to part of a five-man infield and vacated left field. McGriff spoiled the strategy, sending Jeff Kaiser's 3-2 pitch into left.

Red Sox 4, Athletics 6: In Boston, Nick Esasky homered for his 100th RBI as the Red Sox completed a three-game sweep of the American League West-leading Athletics.

The Athletics, who had begun the day with a 3½-game lead over Kansas City and California, went just 5-7 against Boston this season, a three-game losing streak in the playoffs. California was playing in Chicago later Sunday.

Oakland had not been swept in a three-game series since June 26-28 in Minnesota. The Red Sox had lost eight straight games before the Athletics came to Fenway Park.

Twins 9, Royals 5: In Minneapolis, Steve Seaver got his first major-league victory and Fred Lynn had four of Detroit's 17 hits as the Ti-

gers ended Minnesota's five-game winning streak.

Mariners 3, Yankees 0: Brian Holman scattered six hits over eight innings in New York and Scott Bradley drove in two runs for Seattle.

Blue Jays Win in 11th With Help of 2 Errors

George Bell scored the winning run in the Blue Jays' 3-2 victory over the Indians on Saturday thanks to back-to-back errors in the bottom of the 11th by third baseman Denny Gonzalez and shortstop Luis Aguayo.

Toronto retained its 1½-game lead in the AL East over the Baltimore Orioles. In the AL West, the first-place Oakland Athletics, despite losing in Boston, stayed 3½ games ahead of Kansas City and California, which both lost Saturday.

Aguayo bobbled Tony Fernandez's grounder with none out and the bases loaded, allowing Bell to score.

The extra-inning triumph was the Blue Jays' third over the Indians in a week. Last Saturday, they won in 16 innings and last Sunday they won in 10 innings.

Orioles 7, Royals 5: Bob Melvin snapped an eighth-inning tie with a two-out, two-run single to beat Kansas City for a second straight night in Baltimore.

After the Royals scored twice in the eighth to tie at 5, Melvin lined a 1-0 pitch from Steve Farr to score Randy Milligan and pinch-runner Steve Finley.

Red Sox 5, Athletics 2: In Boston, John Dopper and Dennis Lamp held Oakland to six hits and the Red Sox capitalized on the A's errors and wildness for the second straight game.

A day after Oakland committed three errors and allowed eight walks in a 7-2 loss, the Red Sox got two of their runs on errors by Jose Canseco and Mike Gallego and walked five times in six innings against Storm Davis.

White Sox 2, Angels 1: In Chicago, Shawon Hills and three relievers held California to seven hits while Kirk McCaskill pitched a three-hit complete game for the visitors, but Steve Lyons drove in both Chicago runs with a single. In his first start since May 26, Hilliges allowed one run and five hits in five innings.

Yankees 4, Mariners 1: In a rain-shortened six-inning game in New York, Eric Funkhouser gave five wild innings for a third victory in four starts and rookie Mike Blowers drove in his first two major-league runs.

Twins 8, Tigers 7: In Minneapolis, Kent Hrbek drove in five runs for the second time in a week and Minnesota's Allan Anderson tied a career-high with his 16th victory.

Kirby Puckett of the Twins had three singles to raise his American League-leading batting average to .339 and leave him three hits shy of his fourth straight 200 hit season.

Brewers 5, Rangers 3: Paul Molitor capped a four-run fifth in Milwaukee with a run-scoring single against Texas and Dan Plesac, 31, became the Brewers' all-time save leader.

(UPI, AP)

Cubs Retain Lead Over Mets, Cards

Compiled by Our Staff From Dispatches

Doug Drabek defeated Chicago for the third time in four decisions as the Pittsburgh Pirates, continuing to play tough against the National League East contenders, beat the first-place Cubs, 2-0, in Pittsburgh on Sunday. But Chicago kept a 3½-game lead over the New York Mets, who lost in Montreal, and the St. Louis Cardinals, who were defeated in extra innings in Philadelphia.

Pittsburgh beat the Cubs for the second straight day and have won seven of eight against the Cubs, St. Louis and New York. Chicago lost for the second time in eight games.

Drabek won for the third time in 13 decisions in which the Pirates scored two runs or less. He allowed eight hits, struck out seven and walked none to beat former Pirates teammate Mike Bielecki, who lost for the second time in 10 decisions since July 14.

It was Drabek's fourth shutout of the season, and extended his scoreless streak to 14 innings, including five innings in Wednesday's 0-0 tie with St. Louis.

Phillies 9, Cardinals 5: John Kruk hit a grand slam with two outs in the 12th, leading the Phillies past St. Louis in the first game of a doubleheader in Philadelphia.

Dennis Cook, who pitched three hitless innings, led off the 12th with a single off Matt Knepper, 0-2. After Len Dykstra flied out, Tom Herr singled sharply to right, sending Cook to third.

Van Hayes walked one out later, leading the bases, and Kruk followed with his eighth homer of the year, his second career grand slam. Cook allowed one walk and struck out one. Phillies relievers did not give up a hit over the final five innings.

St. Louis, which used six pitchers, lost for the seventh time in eight games. Joe Magrane failed in his fourth try for his 19th victory. Magrane, who has three no-decisions and a loss since Aug. 29, allowed nine hits and four runs in 6-13 innings.

Philadelphia rallied to tie at 6-5 in a sixth-inning deficit. Charlie Hayes hit a sacrifice fly in the sixth, Ricky Jordan hit a run-scoring single in the seventh and Dickie Thon followed with an RBI groundout as the Phillies closed to within 5-4. Tom Barrett tied it with a run-scoring single in the eighth off Frank DiPino.

Expos 4, Mets 0: Mark Langston pitched a three-hitter in Montreal to win for the second time in seven starts as the Expos helped stall New York's race in the NL East.

Langston struck out nine and walked five in his fourth National League shutout and sixth complete game. He allowed one runner past second. Gregg Jefferies walked in the sixth, stole second and took third on catcher Nelson Sanonover's error.

But Tim Lincecum struck out to end the inning. Ron Darling gave up six hits and one run in seven innings, striking out four and walking none. Randy Myers pitched the eighth.

Astro Keep Hopes Alive

Jim Deshaies' three-hitter Saturday kept the Houston Astros in the National League West race.

"I had good command over all three pitches tonight," Deshaies said after defeating the Cincinnati Reds, 3-1, in Houston. "I had a great change and was able to get my slider over for strikes. The Reds really like to look for fastballs like most teams, and when you can get two other pitches over for strikes, it really helps."

Cincinnati's Ron Robinson was the loser, allowing all of Houston's runs in the fourth inning. He gave up three hits in seven innings, struck out six and walked three.

Deshaies allowed one unearned run, struck out six and walked one in his fifth complete game of the season, which pulled the Astros to within 3½ games of the West-leading San Francisco Giants.

The Giants' game against the San Diego Padres was rained out Saturday in San Francisco, after the Padres had closed to within five games of the top by beating the Giants, 5-3, Friday.

Pirates 8, Cubs 6: Gary Redus hit a three-run homer and Mike LaValliere and Jose Lind got consecutive run-scoring doubles in the fourth inning in Pittsburgh as the Pirates ended Chicago's six-game winning streak.

John Smiley got the victory despite allowing seven hits and four runs in five innings before four relievers finished. The Cubs were trying to match their longest winning streak of the season and go 22 games over .500 for the first time this season.

The Pirates, who have won just seven of their last 20 games against Chicago, beat the Cubs in Three Rivers Stadium for only the second time in eight games.

Expos 10, Mets 1: New York blew its first chance in more than a week to gain on the division-leading Cubs as Spike Owen equaled his career high with four RBIs and Pascual Perez scattered four hits over eight innings in Montreal.

The Expos, who snapped a five-game losing streak and trail the Cubs by seven games, tagged Sid Fernandez for seven runs in 2½ innings, four in the first.

Dodgers 1, Braves 0: Pinch-hitter Mike Sharperson drew a walk with the bases loaded to score the game's only run with one out in the ninth inning in Los Angeles. Tim Lincecum pitched a three-hitter for his major-league-leading seventh shutout.

(UPI, AP)

SCOREBOARD

BASEBALL
Major League Standings

(Through September 17)			
Team	W	L	Pct.
Toronto	52	47	.525
Atlanta	48	51	.485
Los Angeles	47	52	.475
San Diego	46	53	.465
Philadelphia	45	54	.455
Chicago	44	55	.445

Team	W	L	Pct.
Oakland	39	59	.399
San Francisco	35	63	.354
Kansas City	33	65	.336
Minnesota	32	66	.328
Texas	24	74	.243
Seattle	23	75	.233
Chicago	22	76	.228

Team	W	L	Pct.
Chicago	54	48	.530
New York	48	54	.470
St. Louis	47	55	.461
Pittsburgh	47	55	.461
Philadelphia	46	56	.450
San Francisco	45	57	.443
San Diego	44	58	.434
Los Angeles	43	59	.422
Cincinnati	42	60	.412
Houston	38	64	.375

Team	W	L	Pct.
San Francisco	45	57	.443
San Diego	44	58	.434
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Team	W	L	Pct.
San Francisco	45	57	.443
San Diego	44	58	.434
Los Angeles	43	59	.422
Cincinnati	42	60	.412
Houston	38	64	.375

Team	W	L	Pct.
San Francisco	45	57	.443
San Diego	44	58	.434
Los Angeles	43	59	.422
Cincinnati	42	60	.412
Houston	38	64	.375

Team	W	L	Pct.
San Francisco	45	57	.443
San Diego	44	58	.434
Los Angeles	43	59	.422
Cincinnati	42	60	.412
Houston	38	64	.375

FOOTBALL

Selected College Scores

Team	W	L	Pct.
Brigham Young	31	1	.969
Notre Dame	28	4	.875
Stanford	27	5	.844
Michigan	26	6	.813
Ohio State	25	7	.781
Alabama	24	8	.750
Georgia	23	9	.719
Florida	22	10	.688
Washington	21	11	.657
Arizona	20	12	.625
Nebraska	19	13	.594
Illinois	18	14	.563
Minnesota	17	15	.531
Wisconsin	16	16	.500
Colorado	15	17	.469
Oregon	14	18	.438
Idaho	13	19	.407
Utah	12	20	.375
Washington State	11	21	.344
California	10	22	.313
Arizona State	9	23	.281
South Carolina	8	24	.250
North Carolina	7	25	.219
Georgia Tech	6	26	.188
Duke	5	27	.157
Florida State	4	28	.125
Virginia Tech	3	29	.094
Wake Forest	2	30	.063
NC State	1	31	.031
South Carolina	0	32	.000

L—Fernandez, 11-S. HR—Montreal, Galar- raga (22).	
Cincinnati	000 700 000—1 3 3
Houston	000 300 000—3 5 1
R.Robinson, Chariton (8) and J.Rod, McGriff (8); Deshaies and Biagio, W— De- shales, 13-9, L—R.Robinson, 4-3.	
Atlanta	000 000 000—0 3 3

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galileo...
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merger...
Argentina...
bloated...
miraculous...
Waste...
Crops...
Don't...
Up...
12.92...
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On...
In...